

**STARMOUNT (SECURITIES) LIMITED AND
SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR

30 NOVEMBER 2003

Company Registration Number 00528421



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COMPANIES HOUSE

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23/09/04

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 2003

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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 2003

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 30 November 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is that of property investments 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 £2,409,746. After deducting dividends paid of £89,999 the retained profit for the year was £2,319,747.

At the year end, the group's major construction project which consisted of shopping and leisure facilities was practically completed as disclosed in note 10.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003 £	2002 £
Dividends paid on ordinary shares	<u>89,999</u>	<u>89,999</u>

Two interim dividends of £105.633 per share on each occasion on both the 'A' and 'B' ordinary shares were paid on 26 September 2003 and 28 November 2003 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:

		At 30 November 2003	At 1 December 2002
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 2003 (2002 - 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 2003

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 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 the group and 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:

	2003	2002
	£	£
Charitable	<u>100</u>	<u>200</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 21 SEP 2004

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 30 NOVEMBER 2003**

We have audited the financial statements on pages 5 to 20 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.

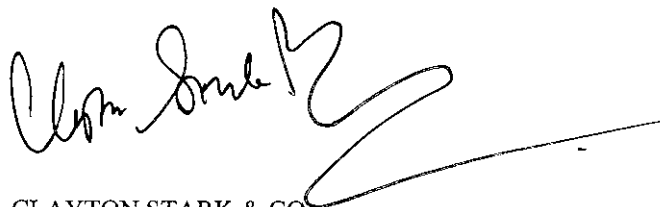
BASIS OF AUDIT OPINION

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 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 2003 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



CLAYTON STARK & CO
Chartered Accountants
& Registered Auditors

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

21 SEP 2004

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES**CONSOLIDATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 NOVEMBER 2003**

	Note	2003 £	2002 £
TURNOVER	2	5,999,631	4,995,544
Cost of sales		(1,075,233)	(771,287)
GROSS PROFIT		4,924,398	4,224,257
Administrative expenses		(1,450,651)	(1,331,195)
Other operating income		322,765	1,161,735
OPERATING PROFIT	3	3,796,512	4,054,797
Interest receivable and similar income		29,759	61,921
Interest payable and similar charges	6	(410,185)	(440,116)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,416,086	3,676,602
Tax on profit on ordinary activities	7	(1,006,340)	(1,187,699)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,409,746	2,488,903
Dividends	8	(89,999)	(89,999)
RETAINED PROFIT FOR THE FINANCIAL YEAR		2,319,747	2,398,904
Earnings per share	9	£5,656.7	£5,842.5

PROFIT AFTER TAXATION

Profit after taxation amounting to £2,475,590 (2002 - £2,668,984), 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 2003**

	2003 £	2002 £
Profit for the financial year attributable to the shareholders	2,409,746	2,488,903
Unrealised profit on revaluation of investment properties	10,089,326	2,815,392
Current year consolidation adjustment (see note 20)	-	229,065
Total gains and losses recognised since the last annual report	<u>12,499,072</u>	<u>5,533,360</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	2,409,746	2,488,903
Dividends	(89,999)	(89,999)
	<u>2,319,747</u>	<u>2,398,904</u>
Other net recognised gains and losses	10,089,326	2,815,392
Current year consolidation adjustment	-	229,065
Net addition to funds	<u>12,409,073</u>	<u>5,443,361</u>
Opening shareholders' equity funds	21,798,532	16,355,171
Closing shareholders' equity funds	<u>34,207,605</u>	<u>21,798,532</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2003 £	2002 £
Reported profit on ordinary activities before taxation	3,416,086	3,676,602
Realisation of property revaluation surpluses of previous years	<u>1,642,170</u>	<u>1,875,346</u>
Historical cost profit on ordinary activities before taxation	<u>5,058,256</u>	<u>5,551,948</u>
Historical cost profit for the year retained after taxation and dividends	<u>3,961,917</u>	<u>4,274,250</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

BALANCE SHEET - CONSOLIDATED

30 NOVEMBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	10	44,287,234	26,628,236
Investments	11	301	301
		<u>44,287,535</u>	<u>26,628,537</u>
CURRENT ASSETS			
Stocks	12	3,162,284	3,524,159
Debtors	13	502,591	724,773
Cash at bank and in hand		2,308	74,837
		<u>3,667,183</u>	<u>4,323,769</u>
CREDITORS: Amounts falling due within one year	14	<u>(3,529,516)</u>	<u>(2,688,259)</u>
NET CURRENT ASSETS		<u>137,667</u>	<u>1,635,510</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>44,425,202</u>	<u>28,264,047</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(10,217,597)</u>	<u>(6,465,515)</u>
		<u>34,207,605</u>	<u>21,798,532</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	426	426
Share premium account		41,061	41,061
Revaluation reserve	20	13,439,299	4,992,143
Profit and Loss Account	21	20,726,819	16,764,902
SHAREHOLDERS' FUNDS		<u>34,207,605</u>	<u>21,798,532</u>

These financial statements were approved by the directors on the 21 SEP 2004 and are signed on their behalf by:


SIR S STERNBERG
Director

STARMOUNT (SECURITIES) LIMITED**BALANCE SHEET - HOLDING COMPANY****30 NOVEMBER 2003**

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	10	18,166,000	17,053,000
Investments	11	454	454
		<u>18,166,454</u>	<u>17,053,454</u>
CURRENT ASSETS			
Debtors	13	15,214,761	10,516,151
Cash at bank		19	89
		<u>15,214,780</u>	<u>10,516,240</u>
CREDITORS: Amounts falling due within one year	14	<u>(6,363,549)</u>	<u>(6,804,796)</u>
NET CURRENT ASSETS		<u>8,851,231</u>	<u>3,711,444</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,017,685</u>	<u>20,764,898</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	426	426
Share premium account		41,061	41,061
Revaluation reserve	20	9,258,994	6,637,383
Profit and Loss Account	21	17,717,204	14,086,028
SHAREHOLDERS' FUNDS		<u>27,017,685</u>	<u>20,764,898</u>

These financial statements were approved by the directors on the 21 SEP 2004 and are signed on their behalf by:



SIR S. STERNBERG
Director

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT

YEAR ENDED 30 NOVEMBER 2003

	2003	2002
	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	5,251,255	3,243,211
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	31,092	60,361
Interest paid	(413,473)	(446,713)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(382,381)	(386,352)
TAXATION	(1,400,000)	(885,937)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(10,424,482)	(6,450,698)
Consolidation Adjustment (see note 20)	-	229,065
	(10,424,482)	(6,221,633)
Receipts from sale of fixed assets	3,110,793	4,721,639
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(7,313,689)	(1,499,994)
EQUITY DIVIDENDS PAID	(89,999)	(89,999)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(3,934,814)	380,929
FINANCING		
Repayment of debenture loan	-	(20,000)
New bank loan	4,602,082	506,913
Repayment of bank loan	(850,000)	(850,000)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	3,752,082	(363,087)
(DECREASE)/INCREASE IN CASH	(182,732)	17,842

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit	3,796,512	4,054,797
Depreciation	66,782	46,860
Profit on disposal of fixed assets	(322,765)	(1,161,735)
Decrease in stocks	361,875	854,680
Decrease/(Increase) in debtors	153,867	(406,755)
Increase/(Decrease) in creditors	1,194,984	(144,636)
Net cash inflow from operating activities	5,251,255	3,243,211

The notes on pages 11 to 20 form part of these financial statements.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30 NOVEMBER 2003

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003	2002
	£	£
(Decrease)/Increase in cash in the period	(182,732)	17,842
Net cash outflow from debentures	—	20,000
Net cash (inflow) from/outflow from bank loans	(3,752,082)	343,087
	(3,934,814)	380,929
Change in net debt	(3,934,814)	380,929
Net debt at 1 December 2002	(7,242,710)	(7,623,639)
Net debt at 30 November 2003	(11,177,524)	(7,242,710)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Dec 2002 £	Cash flows £	At 30 Nov 2003 £
Net cash:			
Cash in hand and at bank	74,837	(72,529)	2,308
Overdrafts	(2,032)	(110,203)	(112,235)
	72,805	(182,732)	(109,927)
Debt:			
Debt due within 1 year	(850,000)	—	(850,000)
Debt due after 1 year	(6,465,515)	(3,752,082)	(10,217,597)
	(7,315,515)	(3,752,082)	(11,067,597)
Net debt	(7,242,710)	(3,934,814)	(11,177,524)

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

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 by 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.

The group's gross property income consists of rental income, service charges and insurances recoverable from tenants of both investment and dealing properties exclusive of value added tax. In accordance with the Accounting Standards Board's (ASB) Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF 28) the group treats any incentive for lessees to enter into lease agreements as a revenue cost and accounts for rental income from the commencement date of any rent-free period. The cost of all incentives (such as *rent-free periods or contributions to tenants fitting out costs*) is, therefore, offset against the total rent due and the net rental income is then spread evenly over the shorter of the period from the commencement date to the date of the next rent review or the lease end date or the date of the lease break clause, if applicable.

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.

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 2003

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

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' personal 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 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.

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.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

2. TURNOVER

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

	2003 £	2002 £
Sale of properties	2,046,930	596,506
Rents, insurances and service charges receivable	2,923,783	3,452,426
Premiums received on leases taken over	-	44,195
Fees and commissions receivable	1,028,918	902,417
	<u>5,999,631</u>	<u>4,995,544</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Depreciation	66,782	46,860
Profit on disposal of fixed assets	(322,765)	(1,161,735)
Auditors' remuneration		
- as auditors	27,000	24,000
- for other services	67,845	54,720
	<u>67,845</u>	<u>54,720</u>

4. PARTICULARS OF EMPLOYEES

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

	2003 No.	2002 No.
Number of administrative staff	<u>16</u>	<u>16</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	932,715	872,184
Social security costs	118,176	104,570
Other pension costs	44,044	36,379
	<u>1,094,935</u>	<u>1,013,133</u>

5. DIRECTORS' EMOLUMENTS

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

	2003 £	2002 £
Emoluments receivable	<u>429,491</u>	<u>398,904</u>

Emoluments of highest paid director:

	2003 £	2002 £
Total emoluments (excluding pension contributions):	<u>302,029</u>	<u>280,580</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest payable on bank borrowing	396,916	439,079
Other similar charges payable	13,269	1,037
	<u>410,185</u>	<u>440,116</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2003	2002
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	940,000	1,270,000
Overprovision in prior years	(642)	(15,319)
Total current tax	<u>939,358</u>	<u>1,254,681</u>
Deferred tax:		
Increase/(Decrease) in deferred tax provision		
Gains recognized in current year's accounts taxed in previous year	66,982	—
Post year end gains taxable in current year	—	(66,982)
Total deferred tax (2002 - deferred tax asset, note 13))	<u>66,982</u>	<u>(66,982)</u>
Tax on profit on ordinary activities	<u>1,006,340</u>	<u>1,187,699</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%). The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before taxation	3,416,086	3,676,602
Profit on ordinary activities at a rate of tax of 30%	1,024,826	1,102,981
Effects of:		
Expenses not deductible for tax purposes	2,284	1,055
Capital allowances in excess of depreciation and related adjustments	(186,259)	(1,731)
Taxable gains in excess of profit on disposals per accounts	78,520	178,588
Tax relief for interest and finance costs capitalised to asset in the course of construction	(33,856)	(82,681)
Profit assessable on transfer from stock of properties to investment property portfolio	—	68,720
Rounding on corporation tax provision	54,485	3,068
Adjustment to tax charge in respect of previous years	(642)	(15,319)
Total current tax (note 7(a))	<u>939,358</u>	<u>1,254,681</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

8. DIVIDENDS

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

	2003 £	2002 £
Dividend paid on ordinary shares	<u>89,999</u>	<u>89,999</u>

9. EARNINGS PER SHARE

	2003 £	2002 £
Earnings per ordinary share	<u>5,656.7</u>	<u>5,842.5</u>

Earnings per share have been calculated on the net basis on the profit on ordinary activities after taxation of £2,409,746 (2002 - £2,488,903) using the average number of ordinary shares in issue of 426 (2002 - 426).

10. TANGIBLE FIXED ASSETS

(i) Group

	Investment properties £	Investment property in the course of construction £	Leasehold Property £	Motor Vehicles £	Fixtures & Equipment £	Total £
COST OR VALUATION						
At 1 Dec 2002	17,053,000	9,408,973	6,118	168,872	219,199	26,856,162
Additions	—	10,268,897	—	80,333	75,252	10,424,482
Disposals	(2,754,196)	—	—	(81,622)	—	(2,835,818)
Revaluation	10,089,326	—	—	—	—	10,089,326
Transfer on completion	19,677,870	(19,677,870)	—	—	—	—
At 30 Nov 2003	<u>44,066,000</u>	<u>—</u>	<u>6,118</u>	<u>167,583</u>	<u>294,451</u>	<u>44,534,152</u>
DEPRECIATION						
At 1 Dec 2002	—	—	1,968	60,793	165,165	227,926
Charge for the year	—	—	82	34,974	31,726	66,782
On disposals	—	—	—	(47,790)	—	(47,790)
At 30 Nov 2003	<u>—</u>	<u>—</u>	<u>2,050</u>	<u>47,977</u>	<u>196,891</u>	<u>246,918</u>
NET BOOK VALUE						
At 30 Nov 2003	<u>44,066,000</u>	<u>—</u>	<u>4,068</u>	<u>119,606</u>	<u>97,560</u>	<u>44,287,234</u>
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>

All the investment properties, except the investment property in the course of construction that was practically completed towards the end of the year, are held by the holding company.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

10. TANGIBLE FIXED ASSETS *(continued)*

(ii) Company – Investment Properties

	Freehold £	Long Leasehold £	Total £
AT VALUATION			
At 1 December 2002	15,900,000	1,153,000	17,053,000
Additions	-	-	-
Disposals	(2,754,196)	-	(2,754,196)
Revaluation	3,593,196	274,000	3,867,196
At 30 November 2003	16,739,000	1,427,000	18,166,000

Investment properties were valued on an open market basis at 30th November 2003 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 £2.9 million (2002 - £1 million) would crystallise.

The historical cost of investment properties, including the investment property in the course of construction, at 30 November 2003 was £30,626,701 (2002 - £21,469,830).

11. INVESTMENTS

Group

	Total £
Unlisted unvestment at cost	
At 1 December 2002 and 30 November 2003	301

Company

	Investment in Subsidiaries £	Other Unlisted Investments £	Total £
COST			
At 1 December 2002 and 30 November 2003	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 2003

12. STOCKS

Group	2003 £	2002 £
Stock of properties for resale	<u>3,162,284</u>	<u>3,524,159</u>

13. DEBTORS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade debtors	86,793	161,331	23,401	39,709
Amount due from group undertaking	–	–	13,497,807	9,447,602
Dividend receivable from group undertaking	–	–	1,500,000	950,000
Corporation tax recoverable	–	–	180,642	–
Other debtors	256,988	419,916	546	741
Prepayments and accrued income	158,810	76,544	12,365	11,117
Deferred taxation (note 7)	–	66,982	–	66,982
	<u>502,591</u>	<u>724,773</u>	<u>15,214,761</u>	<u>10,516,151</u>

14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Bank loans and overdraft	962,235	852,032	–	–
Trade creditors	24,512	8,274	–	–
Amount due to group undertakings	–	–	6,171,535	6,049,280
Corporation tax	459,358	920,000	–	500,000
Other taxes and social security	37,291	34,120	43,194	42,146
Other creditors	171,278	423,157	8,190	9,373
Accruals and deferred income	1,874,842	450,676	140,630	203,997
	<u>3,529,516</u>	<u>2,688,259</u>	<u>6,363,549</u>	<u>6,804,796</u>

Details of the bank loans and overdraft are given in note 15.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

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

Group	2003 £	2002 £
Bank loans and overdrafts	9,996,495	6,244,413
Other creditors	221,102	221,102
	<u>10,217,597</u>	<u>6,465,515</u>

The group has two bank loans.

In respect of the loan where the balance outstanding is £5,737,000 (2002 - £6,587,000) 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. On 19 January 2004, this loan was merged into the Investment loan facility referred to below.

The other bank loan of £5,108,995 (2002 - £506,913) consists of various amounts drawn since 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 company also had an Investment Facility that was subsequently taken up on 19 January 2004, 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.

All of the bank loans 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 by instalments, some of which fall due for repayment after more than five years from the balance sheet date are:

Group	2003 £	2002 £
Bank loans	<u>10,846,495</u>	<u>6,587,500</u>

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

16. CREDITORS - CAPITAL INSTRUMENTS

Group

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

	2003	2002
	£	£
In one year or less, or on demand	962,235	852,032
Between one and two years	850,000	1,356,913
Between two and five years	3,937,500	2,550,000
In five years or more	5,208,995	2,337,500
	<u>10,958,730</u>	<u>7,096,445</u>
	2003	2002
	£	£
Of which:		
- included in creditors: amounts falling due within one year (note 14)	<u>850,000</u>	<u>850,000</u>

The above liabilities comprise bank loans and an overdraft. Full details of the bank loans are given in note 15.

17. 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 2003, this amounted to £377,519 (2002 - £331,346). In the event that there is a shortfall of funds, the company would have to meet this liability.

18. 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.

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:

	2003	2002
	£	£
Finer Homes Limited	—	250,000
Sir Sigmund Sternberg	—	718
Mr M Slowe	—	454
Lady Hazel Sternberg and Mrs V J Slowe (jointly)	<u>149,111</u>	<u>149,111</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 (2002 - £221,102).

Rents payable by Martin Slowe Estates Limited to Finer Homes Limited in respect of its office premises amounted to £48,000 (2002 - £48,000).

Sales of properties to Finer Homes Limited by Martin Slowe Estates Limited and Starmount (Securities) Limited amounted to £NIL (2002 - £40,000) and £195,000 (2002 - £655,501) respectively.

Martin Slowe Estates Limited also received £24,509 (2002 - £24,944) in management and professional fees in respect of the property portfolio of Finer Homes Limited.

STARMOUNT (SECURITIES) LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 NOVEMBER 2003

19. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
284 'A' Ordinary shares of £1 each	284	284
142 'B' Ordinary shares of £1 each	142	142
	<u>426</u>	<u>426</u>

Allotted, called up and fully paid:

	2003		2002	
	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 equally 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.

20. REVALUATION RESERVE

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Balance brought forward	4,992,143	3,823,032	6,637,383	4,175,010
Revaluation of fixed assets	10,089,326	2,815,392	3,867,196	2,831,037
Transfer to the Profit and Loss Account on realisation	(1,642,170)	(1,875,346)	(1,245,585)	(368,664)
Current year consolidation adjustment	—	229,065	—	—
Balance carried forward	<u>13,439,299</u>	<u>4,992,143</u>	<u>9,258,994</u>	<u>6,637,383</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.

21. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Balance brought forward	16,764,902	12,490,652	14,086,028	11,138,379
Retained profit for the financial year	2,319,747	2,398,904	2,385,591	2,578,985
Transfer from revaluation reserve	1,642,170	1,875,346	1,245,585	368,664
Balance carried forward	<u>20,726,819</u>	<u>16,764,902</u>	<u>17,717,204</u>	<u>14,086,028</u>

22. CAPITAL COMMITMENTS

The capital commitment in respect of the contract relating to the investment property not provided for in these financial statements amounted to approximately £500,000 as at 30th November 2003 (2002 - £9 million).