

PRIME ESTATES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

For the year ended
31st December 2001



PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 31st December 2001

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Directors

H J H Bandet (President)
R E L Bandet
I A M F Boyer
I Kirkpatrick (Chairman)
D B Taylor
J P Walters

Secretary and registered office

N J Alexander, 2 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ

Company Number

1823607

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

Report of the directors for the year ended 31st December 2001

The directors submit their report together with the audited financial statements of the group for the year ended 31st December 2001

Principal activity

The principal activity of the group is property investment.

Group Reorganisation

On 8th November 2001, a group reorganisation took place whereby Prime Estates Limited acquired shares in five companies by way of a share for share exchange with the existing shareholders of those companies. In this reorganisation, the share capital of Prime Estates Limited was subdivided from £1 shares into £0.01 shares. The share capital was then increased by £2,000 and shares were allotted in exchange for shares in the subsidiary companies acquired.

The intention of the reorganisation was to maintain the relative rights of the shareholders in the five subsidiary companies. The directors therefore consider that this reorganisation should be accounted for in accordance with the provisions of merger accounting.

Results, dividends, trading review and future developments

The profit and loss account is set out on page 4 and shows the group's profit before taxation for the year. Although the operating profit is reduced from last year it is expected to return to previous levels in 2002. In the prior year there were also profits on asset sales and large revaluation write-backs which contributed to an abnormally high profit before tax. The directors expect that the present level of activity will be sustained for the foreseeable future.

The directors declared and paid dividends as shown in note 8 to the accounts. No further dividends are recommended by the directors for the year.

There have been no events since the balance sheet date which materially affect the position of the company.

Directors

Details of the directors' interests (all of which are beneficial) in the ordinary shares of the company during the year are as follows:

	31.12.01 (Ordinary shares of £0.01)	31.12.00 (Ordinary shares of £1)
H J H Bandet	129,393	555
R E L Bandet	128,762	555
I A M F Boyer	91,845	390
I Kirkpatrick	-	-
D B Taylor	-	-
J P Walters	-	-
A J Edmonds (resigned 18th December 2001)	-	-

Report of the directors for the year ended 31st December 2001

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group 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.

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 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Messrs BDO Stoy Hayward offer themselves for reappointment as auditors of the company.

By order of the board.



N J Alexander
Secretary

15th May 2002

Report of the independent auditors

To the shareholders of Prime Estates Limited

We have audited the financial statements of Prime Estates Limited for the year ended 31 December 2001 on pages 4 to 19 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Accounting 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 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.

Basis of audit opinion

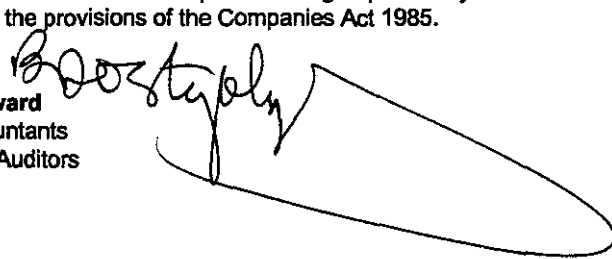
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Qualified opinion arising from failure to include cashflow statement comparative figures

The cashflow statement on page 8 and related notes on page 19 do not include comparative figures as required in accordance with Financial Reporting Standard No 1. Except for the absence of these cashflow comparative figures, in our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
London



15 May 2002

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

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Consolidated profit and loss account for the year ended 31st December 2001

	Note	Year to 31.12.01 £	Year to 31.12.00 £
GROSS RENTAL INCOME	2	5,808,202	5,972,252
Property expenses		(295,876)	(377,546)
NET RENTAL INCOME		5,512,326	5,594,706
Movement in stock		(260,000)	129,330
Administration expenses		(1,180,743)	(802,536)
OPERATING PROFIT		4,071,583	4,921,500
Other income	3	35,803	64,903
(Provisions)/write back of provisions on revaluation of fixed assets		(137,000)	888,220
Profit on disposal of fixed assets		27,921	619,461
Share of profits of associated undertakings		23,687	282,696
Profit on ordinary activities before interest		4,021,994	6,776,780
Interest receivable	4	88,391	91,510
Interest payable	5	(1,168,748)	(1,365,346)
Interest payable - associated undertakings		(180,570)	-
Profit on ordinary activities before taxation	6	2,761,067	5,502,944
Taxation	7	(879,139)	(1,208,080)
Profit on ordinary activities after taxation		1,881,928	4,294,864
Minority interest		(7,508)	(2,413)
Profit for the financial year		1,874,420	4,292,451
Dividends	8	(724,714)	(2,319,799)
Retained profit for the year	18	1,149,706	1,972,652

The notes on pages 9 to 19 form part of these financial statements.

Consolidated statement of total recognised gains and losses, reconciliation of movements in shareholders funds and note of historical cost profits and losses for the year ended 31st December 2001

	Note	Year to 31.12.01 £	Year to 31.12.00 £
<u>Statement of total recognised gains and losses</u>			
Profit for the financial year		1,874,420	4,292,451
Unrealised (deficit)/surplus on revaluation of properties	18	(797,071)	233,928
Exchange translation differences	18	22,679	59,478
Total recognised gains for the period		<u>1,100,028</u>	<u>4,585,857</u>
<u>Reconciliation of movements in shareholders' funds</u>			
Total recognised gains for the period		1,100,028	4,585,857
Dividends		(724,714)	(2,319,799)
Reduction in merger reserve		(40,058)	-
Shareholders' funds at the start of the period		<u>40,269,207</u>	<u>38,003,149</u>
Shareholders' funds at the end of the period		<u>40,604,463</u>	<u>40,269,207</u>
<u>Note of historical cost profits and losses</u>			
Profit on ordinary activities before taxation		2,761,067	5,502,944
Realisation of property valuation gains of prior years		-	73,564
Historical cost profit on ordinary activities before taxation		<u>2,761,067</u>	<u>5,576,508</u>
Historical cost profit on ordinary activities after taxation, minority interest and dividends		<u>1,149,706</u>	<u>2,046,216</u>

The notes on pages 9 to 19 form part of these financial statements.

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

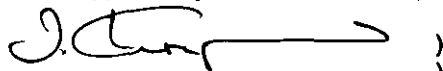
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Consolidated balance sheet at 31 December 2001

	Note	31.12.01 £	£	31.12.00 £	£
Fixed Assets					
Tangible assets	9	50,912,600		51,771,522	
Investments	10	1,213,197		1,681,642	
		<u>52,125,797</u>		<u>53,453,164</u>	
Current Assets					
Stocks	11	280,000		540,000	
Debtors due within one year	12	1,664,682		2,880,568	
Cash at bank and in hand		2,779,110		2,690,141	
		<u>4,723,792</u>		<u>6,110,709</u>	
Creditors					
Amounts falling due within one year	13	(12,688,230)		(4,341,745)	
		<u></u>		<u></u>	
Net current (liabilities)/assets		(7,964,438)		1,768,964	
Creditors					
Amounts falling due after more than one year	14	(3,470,050)		(14,704,045)	
Provision for share of net liabilities of associated undertaking	15	(81,833)		-	
		<u></u>		<u></u>	
Total net assets		<u>40,609,476</u>		<u>40,518,083</u>	
Capital and reserves					
Called up share capital	17	3,500		1,500	
Merger reserve	18	578,038		620,096	
Revaluation reserve	18	25,087,375		25,861,767	
Profit and loss account	18	14,935,550		13,785,844	
Shareholder's funds (equity)		<u>40,604,463</u>		<u>40,269,207</u>	
Minority interests	19	5,013		248,876	
		<u>40,609,476</u>		<u>40,518,083</u>	

The accounts were approved by the Board on 15 May 2002.

I Kirkpatrick




D B Taylor

Directors

The notes on pages 9 to 19 form part of these financial statements.

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

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Company balance sheet at 31 December 2001

	Note	31.12.01 £	£	31.12.00 £	£
Fixed Assets					
Tangible assets	9	15,260,080		-	
Investments	10	224,357		164,634	
		15,484,437		164,634	
Current Assets					
Debtors	12	5,634,294		2,810,150	
Cash at bank and in hand		-		1,196,359	
		5,634,294		4,006,509	
Creditors					
Amounts falling due within one year	13	(20,647,328)		(3,684,112)	
Net current (liabilities)/assets		(15,013,034)		322,397	
Total assets less current liabilities		471,403		487,031	
Capital and reserves					
Called up share capital	17	3,500		1,500	
Profit and loss account	18	467,903		485,531	
Shareholder's funds (equity)		471,403		487,031	

The accounts were approved by the Board on 15 May 2002.

I Kirkpatrick

D B Taylor

Directors

The notes on pages 9 to 19 form part of these financial statements

Consolidated cash flow statement for the year ended 31st December 2001

	Note	Year to 31.12.01 £	£
Net cash inflow			
from operating activities	23		5,286,579
Returns on investment and servicing of finance			
Interest received		88,391	
Interest paid		(1,168,748)	
			(1,080,357)
Taxation			
Corporation tax paid			(1,273,688)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(209,630)	
Receipts from sales of tangible fixed assets		161,853	
Payments to acquire investments		(26,890)	
Receipts from sales of investments		445,495	
			370,828
Equity dividends paid			(1,101,214)
Net cash inflow before financing			2,202,148
Financing			
Merger costs		(40,058)	
Repayment of loans		(1,850,000)	
Redemption of shares held in a subsidiary		(223,121)	
			(2,113,179)
Increase in cash	24,25		88,969

The notes on pages 9 to 19 form part of these financial statements

Notes forming part of the financial statements for the year ended 31st December 2001

1. Accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards as modified by the revaluation of investment properties using the following principal accounting policies.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Prime Estates Limited and all its subsidiaries made up to 31st December 2001.

On 8th November 2001, a group reorganisation took place whereby Prime Estates Limited acquired shares in five companies by way of a share for share exchange with the existing shareholders of those companies. In this reorganisation, the share capital of Prime Estates Limited was subdivided from £1 shares into £0.01 shares. The share capital was then increased by £2,000 and shares were allotted in exchange for shares in the subsidiary companies acquired.

The intention of the reorganisation was to maintain the relative rights of the shareholders in the five subsidiary companies. The directors therefore consider that this reorganisation should be accounted for in accordance with the provisions of merger accounting.

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of these subsidiaries are included for the the whole period in the year they join the group. The corresponding figures for the previous year include their results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken into reserves.

Associated companies

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of retained profits and reserves is added to the cost of the investment in the consolidated balance sheet. Where there is a deficiency in net assets the group's share thereof is shown as a provision for net liabilities of associated undertakings.

Gross rental income

This includes rents pertaining to the period under review. Rent increases arising from rent reviews due during a period are taken into account only to the extent that such reviews have been agreed with the tenants at the accounting date.

Freehold and long leasehold properties

Completed investment properties held for long term retention are stated at open market valuation. Surpluses and deficits arising from revaluations are treated in accordance with Statement of Standard Accounting Practice No 19.

Notes forming part of the accounts for the year ended 31st December 2001 (continued)

1. Accounting policies (continued)

Depreciation

In accordance with S.S.A.P. 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation or amortisation is only one of the factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Depreciation is calculated to write off the cost of other tangible fixed assets over their expected useful lives at the following rates:

Plant and equipment - 15% to 35% on written down value

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. All exchange differences are charged or credited to the revaluation reserve.

Deferred taxation

No provision is made for taxation that may arise on the disposal of the group's properties, unless a liability may arise in the foreseeable future. An asset is created for short term timing differences only where it can be realised within one year.

2. Gross rental income

The directors are of the opinion that gross rental income is attributable to its principal activity and is derived wholly within the United Kingdom.

3. Other income

	Year to 31.12.01 £	Year to 31.12.00 £
Management fees receivable	35,803	26,824
Demutualisation receipt from Sun Life of Canada Ltd	-	38,079
	<u>35,803</u>	<u>64,903</u>

Notes forming part of the financial statements for the year ended 31st December 2001 (continued)

4. Interest receivable	Year to 31.12.01 £	Year to 31.12.00 £
Interest receivable from banks	87,437	87,970
Other interest	954	3,540
	<u>88,391</u>	<u>91,510</u>
5. Interest payable		
Bank interest	<u>1,168,748</u>	<u>1,365,346</u>
6. Profit on ordinary activities before taxation		
This is arrived at after charging		
Auditors remuneration	35,000	30,000
Directors emoluments	<u>88,752</u>	<u>67,422</u>
7. Taxation		
Corporation tax based on the profit for the year	881,811	1,238,933
(Over) provision in previous years	(2,672)	(29,401)
Advance corporation tax recovered	-	(1,452)
	<u>879,139</u>	<u>1,208,080</u>
A corporation tax rate of 30% (2000 - 30%) has been applied.		
8. Dividends		
The following dividends were payable during the period.		
Dividend paid of £2.07 per share calculated on 350,000 ordinary shares of £0.01 each (2000 £5.55 per share)	724,714	1,943,299
Dividends payable of £Nil per share calculated on 350,000 ordinary shares of £0.01 each (2000 £1.08 per share)	-	376,500
	<u>724,714</u>	<u>2,319,799</u>

All of the above dividends were paid by various group companies prior to the group reorganisation.

Notes forming part of the financial statements for the year ended 31st December 2001

9. Fixed assets - The group

	Freehold Property £	Leasehold property £	Plant and equipment £	Total £
Cost or valuation				
At 1st January 2001	33,522,532	18,247,000	6,395	51,775,927
Additions at cost	197,376	11,775	479	209,630
Disposals	(133,932)	-	-	(133,932)
Valuation adjustment	(574,796)	(359,275)	-	(934,071)
	<u>33,011,180</u>	<u>17,899,500</u>	<u>6,874</u>	<u>50,917,554</u>
Representing				
Cost	-	-	6,874	6,874
Valuation	33,011,180	17,899,500	-	50,910,680
	<u>33,011,180</u>	<u>17,899,500</u>	<u>6,874</u>	<u>50,917,554</u>
At 31st December 2001				
	<u>33,011,180</u>	<u>17,899,500</u>	<u>6,874</u>	<u>50,917,554</u>
Depreciation				
At 1st January 2001			4,405	4,405
Charge for the year			549	549
			<u>4,954</u>	<u>4,954</u>
At 31st December 2001				
			<u>4,954</u>	<u>4,954</u>
Net book value				
At 31st December 2001	<u>33,011,180</u>	<u>17,899,500</u>	<u>1,920</u>	<u>50,912,600</u>
At 31st December 2000	<u>33,522,532</u>	<u>18,247,000</u>	<u>1,990</u>	<u>51,771,522</u>

The group

The historical cost of investment properties held at 31st December 2001 was £26,621,823 (2000 - £26,546,604).

All properties have been revalued in accordance with a valuation carried out on 31st December 2001 by Mr J P Walters, a chartered surveyor and director of the company. The basis of the valuation was open market value.

Notes forming part of the financial statements for the year ended 31st December 2001

9. Fixed assets - The company

	Freehold Property £	Leasehold property £	Total £
Cost and valuation			
Additions in the year	8,825,080	6,435,000	15,260,080
At 31st December 2001	8,825,080	6,435,000	15,260,080
Net book value			
At 31st December 2001	8,825,080	6,435,000	15,260,080

The directors' valuation of the properties at the year end was equal to the historical cost of the properties.

10. Investments

Group	Investment in associated undertakings £	Other investments £	Total £
Cost			
As at 1st January 2001	75,050	1,606,592	1,681,642
Additions in the year	-	29,421	29,421
Disposals in the year	-	(445,495)	(445,495)
Exchange gain in the year	-	22,679	22,679
Share of losses for the year	(156,883)	-	(156,883)
Transfer to provision for net liabilities of associated undertakings	81,833	-	81,833
As at 31st December 2001	-	1,213,197	1,213,197

The investment in associated undertakings represents a 50% interest in Hunting Gate (Leeds) Limited, a company registered in England and whose principal activity is property investment.

Other investments comprise:

- (i) payments under endowment insurance policies which are charged to Sun Life of Canada amounting to £295,790 (2000 £268,900)
- (ii) an investment of £92,107 (2000 £89,576) in the Brinson Partnership Fund
- (iii) an investment of £Nil (2000 £445,495) in the Hunting Gate UK Fund Limited Partnership.
- (iv) an investment of £825,300 (2000 £802,621) in the entire share capital of Erecta properties North America Inc a company registered in the United States of America.

The assets and liabilities of Erecta Properties North America Inc are not included in the consolidated financial statements on the grounds of materiality.

Notes forming part of the financial statements for the year ended 31st December 2001(continued)

10. Investments (continued)

Company	Investment in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1st January 2001	8	164,626	164,634
Additions	57,192	2,531	59,723
At 31st December 2001	57,200	167,157	224,357

Details of principal subsidiary undertakings are set out below. All of these undertakings are registered in England and are wholly owned either directly or indirectly.

Prime Estates (Northumbria) Ltd
 Prime Estates (CI) Ltd
 Wilbury Investments Ltd
 Wilbury Estates Ltd
 Erecta Properties Ltd
 Erecta (Hitchin) Ltd
 Hitchin Industrial Estates Ltd
 Bury Field Estates Ltd
 EP Investments Ltd
 EPI Trading Ltd

11. Stocks

	31.12.01 £	31.12.00 £
Group		
Stocks	280,000	540,000

Notes forming part of the financial statements for the year ended 31st December 2001(continued)

12. Debtors

Amounts due within one year

	The group		The company	
	31.12.01 £	31.12.00 £	31.12.01 £	31.12.00 £
Trade debtors	412,682	620,149	212,227	-
Other debtors	99,516	235,198	-	-
Prepayments and accrued income	16,040	12,465	7,788	-
Amounts owed by subsidiary undertakings	-	-	4,668,320	2,614,090
Amounts owed by associated undertakings	1,081,910	2,012,756	745,959	196,060
Corporation tax	54,534	-	-	-
	<u>1,664,682</u>	<u>2,880,568</u>	<u>5,634,294</u>	<u>2,810,150</u>

13. Creditors: Amounts falling due within one year

	The group		The company	
	31.12.01 £	31.12.00 £	31.12.01 £	31.12.00 £
Bank loans and overdraft	9,433,945	49,950	15,203,015	-
Trade creditors	53,796	43,926	-	-
Corporation tax	515,135	855,150	-	-
Other taxes	210,461	236,295	39,117	-
Other creditors	121,879	306,083	-	-
Accruals and deferred income	2,198,976	2,473,841	389,265	1,001
Amounts due to subsidiary undertakings	-	-	5,015,931	3,306,611
Amounts due to related undertakings	125,788	-	-	-
Proposed dividend - group	-	376,500	-	376,500
Proposed dividend - minority	28,250	-	-	-
	<u>12,688,230</u>	<u>4,341,745</u>	<u>20,647,328</u>	<u>3,684,112</u>

Notes forming part of the financial statements for the year ended 31st December 2001(continued)

14. Creditors: Amounts falling due after more than one year

	The group		The company	
	31.12.01	31.12.00	31.12.01	31.12.00
	£	£	£	£
Loans and mortgages				
Sun Life of Canada mortgage	3,470,050	3,520,050	-	-
Bank loans	-	11,183,995	-	-
	<u>3,470,050</u>	<u>14,704,045</u>	<u>-</u>	<u>-</u>

The borrowings are secured by fixed charges over freehold and leasehold property of the group and by floating charges over assets of certain group companies. Various group companies and an associated company act as sureties for the subsidiary companies' borrowings.

The Sun Life of Canada mortgage is repayable in 2011 and carries a fixed interest charge of 12.25% per annum.

	The group		The company	
	31.12.01	31.12.00	31.12.01	31.12.00
	£	£	£	£
Amounts repayable between one and two years	50,000	11,233,995	-	-
Amounts repayable between two and five years	150,000	150,000	-	-
Amounts repayable after five years	3,270,050	3,320,250	-	-
	<u>3,470,050</u>	<u>14,704,245</u>	<u>-</u>	<u>-</u>

15. Provision for share of net liabilities of associated undertaking

	31.12.01	31.12.00
	£	£
Transfer from investment in associated undertaking (see note 10)	<u>81,833</u>	<u>-</u>

16. Deferred taxation - amounts not provided

As stated in note 1, provision is only made for any foreseeable liabilities in respect of corporation tax on capital gains or other taxation which would arise on anticipated sales being effected at these values.

The underlying aggregate liability subject to present legislation is estimated at:

	31.12.01	31.12.00
	£	£
Recovery of industrial buildings allowances	<u>220,550</u>	<u>195,626</u>
The potential liability which would arise on the disposal of the group's property at its revaluation at 31st December	<u>1,016,519</u>	<u>1,278,157</u>

Notes forming part of the financial statements for the year ended 31st December 2001(continued)

17. Share capital

	31.12.01 £	31.12.00 £
Authorised		
1500 Ordinary shares of £1 each		
350,000 Ordinary shares of £0.01 each	-	1,500
	<u>3,500</u>	<u>-</u>
Allotted, called up and fully paid		
1500 Ordinary shares of £1 each	-	1,500
350,000 Ordinary shares of £0.01 each	3,500	-
	<u>3,500</u>	<u>-</u>

The share capital of the company was subdivided from £1 shares into £0.01 shares on 8th November 2001. The authorised capital was increased by £2,000 and shares were allotted in exchange for shares in subsidiary companies acquired.

18. Reserves**Group**

	Revaluation reserve £	Profit and loss account £	Merger reserve £	Total £
Balance at 1st January 2001	25,861,767	13,785,844	620,096	40,267,707
Profit for the year	-	1,149,706	-	1,149,706
Valuation deficit for the year	(797,071)	-		(797,071)
Exchange movement	22,679	-		22,679
Merger reserve movement	-	-	(42,058)	(42,058)
	<u>25,087,375</u>	<u>14,935,550</u>	<u>578,038</u>	<u>40,600,963</u>
Balance at 31st December 2001				

Company

Balance at 1st January 2001	485,531	485,531
Loss for the year	(17,628)	(17,628)
	<u>467,903</u>	<u>467,903</u>
Balance at 31st December 2001		

Result for the financial year

The company has taken advantage of the exemption under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements.

Notes forming part of the financial statements for the year ended 31st December 2001(continued)

19. Minority interests	31.12.01	31.12.00
	£	£
Minority interests comprise:		
Preference shares held in a subsidiary	-	223,121
Net assets of a subsidiary	5,013	25,755
	5,013	248,876

20. Contingent liabilities

Subsidiary undertakings' borrowings of £4,633,995 (2000 - £6,433,995), guaranteed by the company, are included in the consolidated balance sheet shown on page 6.

21. Commitments under operating leases

As at 31st December 2001, the group had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	31.12.01	31.12.00
	£	£
Those which expire after five years	189,953	170,697

22. Related party transactions

- (i) Commercial arrangements for full value were entered into with a company of which Mr H J H Bandet, Miss R E L Bandet and Mrs I A M F Boyer were directors and shareholders, whereby the group was provided property management services totalling £355,453 (2000 - £383,061).
- (ii) The group rented properties on normal commercial terms at a cost of £73,750 (2000 - £73,750) to companies of which Mr H J H Bandet, Miss R E L Bandet and Mrs I A M F Boyer were directors and shareholders.
- (iii) Consultancy fees totalling £159,604 (2000 - £163,767) were charged by a company of which Mr H. J. H. Bandet was a director and a shareholder of the ultimate parent company.
- (iv) Included in administration costs is a fee relating to disposal of assets of a partnership in which a subsidiary company was a partner amounting to £125,788 (2000 - £Nil) paid to a related company in which Mr H. J. H. Bandet, Miss R. E. L. Bandet and Mrs I. A. M. F. Boyer are interested as directors and shareholders of its ultimate holding company.

Notes forming part of the financial statements for the year ended 31st December 2001 (continued)

23. Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31.12.01 £
Operating profit	4,071,583
Depreciation charges	549
Management fees receivable	35,803
Exchange gain	(2,531)
Decrease in stock	260,000
Decrease in debtors	1,270,420
Decrease in creditors	(349,245)
Net cash inflow from operating activities	5,286,579

24. Reconciliation of net cash flow to movement in net debt

	Year to 31.12.01 £
Increase in cash in the year	88,969
Repayment of loans	1,850,000
Change in net debt	1,938,969
Net debt at 1st January 2001	(12,063,854)
Net debt at 31st December 2001	(10,124,885)

25. Analysis of net debt

	At 01.01.01 £	Cashflow £	Other Changes £	At 31.12.01 £
Cash at bank and in hand	2,690,141	88,969	-	2,779,110
Debt due within one year	(49,950)	-	(9,383,995)	(9,433,945)
Debt due after more than one year	(14,704,045)	1,850,000	9,383,995	(3,470,050)
	(12,063,854)	1,938,969	-	(10,124,885)