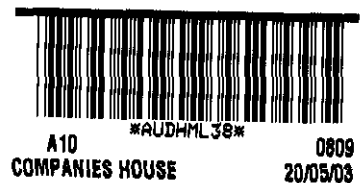


1823607

PRIME ESTATES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

For the year ended
31st December 2002



PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 31st December 2002

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-

Directors

H J H Bandet (President)
R B Polkow
I A M F Boyer
I Kirkpatrick (Chairman)
T E Milliken
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 2002

The directors submit their report together with the audited financial statements of the group for the year ended 31st December 2002

Principal activity

The principal activity of the group is property investment.

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. It is expected that operating profit will remain at this level in 2003, and that losses arising from fixed asset revaluations and associated undertakings will not be repeated. 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:

	At 01.01.02 and 31.12.02 (Ordinary shares of £0.01)
H J H Bandet	129,393
R B Polkow	128,762
I A M F Boyer	91,845
I Kirkpatrick	-
T E Milliken (appointed 21st November 2002)	-
D B Taylor (resigned 21st November 2002)	-
J P Walters	-

Report of the directors for the year ended 31st December 2002

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.

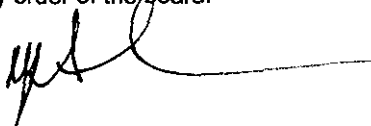
Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

14th May 2003

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 2002 on pages 4 to 21 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

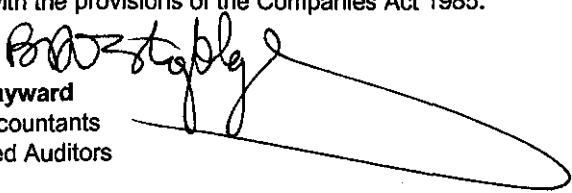
Basis of audit opinion

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.

Opinion

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 2002 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

14th May 2003

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 4

Consolidated profit and loss account for the year ended 31st December 2002

	Note	Year to 31.12.02 £	Year to 31.12.01 £
GROSS RENTAL INCOME	2	5,663,783	5,808,202
Property expenses		(514,280)	(295,876)
NET RENTAL INCOME		5,149,503	5,512,326
Movement in stock		102,589	(260,000)
Administration expenses		(1,048,382)	(1,180,743)
OPERATING PROFIT		4,203,710	4,071,583
Other income	3	20,950	35,803
Reduction in provision for investments in related company		125,956	-
Provision on revaluation of fixed assets		(1,036,202)	(137,000)
Profit on disposal of fixed assets		238,705	27,921
Share of (losses)/profits of associated undertakings		(519,356)	23,687
Profit on ordinary activities before interest		3,033,763	4,021,994
Interest receivable	4	1,069,041	88,391
Interest payable	5	(2,068,825)	(1,168,748)
Interest payable - associated undertakings		(70,929)	(180,570)
Profit on ordinary activities before taxation	6	1,963,050	2,761,067
Taxation	7	(981,017)	(879,139)
Profit on ordinary activities after taxation		982,033	1,881,928
Minority interest		5,013	(7,508)
Profit for the financial year		987,046	1,874,420
Dividends	8	(850,500)	(724,714)
Retained profit for the year	19	136,546	1,149,706

The notes on pages 9 to 21 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 2002

	Note	Year to 31.12.02 £	Year to 31.12.01 £
<u>Statement of total recognised gains and losses</u>			
Profit for the financial year		987,046	1,874,420
Unrealised surplus/(deficit) on revaluation of properties	19	6,761,745	(797,071)
Exchange translation differences	19	(79,710)	22,679
Total recognised gains for the period		<u>7,669,081</u>	<u>1,100,028</u>
<u>Reconciliation of movements in shareholders' funds</u>			
Total recognised gains for the period		7,669,081	1,100,028
Dividends		(850,500)	(724,714)
Reduction in merger reserve		-	(40,058)
Shareholders' funds at the start of the period		<u>40,604,463</u>	<u>40,269,207</u>
Shareholders' funds at the end of the period		<u>47,423,044</u>	<u>40,604,463</u>
<u>Note of historical cost profits and losses</u>			
Profit on ordinary activities before taxation		1,968,063	2,761,067
Realisation of property valuation gains of prior years		420,017	-
Historical cost profit on ordinary activities before taxation		<u>2,388,080</u>	<u>2,761,067</u>
Historical cost profit on ordinary activities after taxation, minority interest and dividends		<u>555,563</u>	<u>1,149,706</u>

The notes on pages 9 to 21 form part of these financial statements.

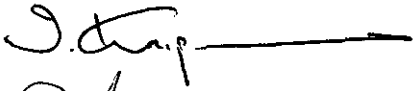
PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 6

Consolidated balance sheet at 31 December 2002

	Note	£	31.12.02 £	£	31.12.01 £
Fixed Assets					
Intangible assets	9		687,420		-
Tangible assets	10		57,193,019		50,912,600
Investments	11		1,400,297		1,213,197
			<u>59,280,736</u>		<u>52,125,797</u>
Debtors					
Amounts falling due after more than one year	13		23,800,000		-
Current Assets					
Stocks	12	3,541,000		280,000	
Debtors due within one year	14	1,918,404		1,664,682	
Cash at bank and in hand		2,703,201		2,779,110	
		<u>8,162,605</u>		<u>4,723,792</u>	
Creditors					
Amounts falling due within one year	15	(11,842,905)		(12,688,230)	
Net current liabilities					
			(3,680,300)		(7,964,438)
Creditors					
Amounts falling due after more than one year	16		(31,970,050)		(3,470,050)
Provision for share of net liabilities of associated undertaking	17		(7,342)		(81,833)
Total net assets			<u>47,423,044</u>		<u>40,609,476</u>
Capital and reserves					
Called up share capital	18		3,500		3,500
Merger reserve	19		578,038		578,038
Revaluation reserve	19		31,349,393		25,087,375
Profit and loss account	19		15,492,113		14,935,550
Shareholder's funds (equity)			<u>47,423,044</u>		<u>40,604,463</u>
Minority interests	20		-		5,013
			<u>47,423,044</u>		<u>40,609,476</u>

The accounts were approved by the Board on 14th May 2003.

I Kirkpatrick )
)
 T E Millken ) Directors

The notes on pages 9 to 21 form part of these financial statements.

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 7

Company balance sheet at 31 December 2002

	Note	31.12.02 £	£	31.12.01 £	£
Fixed Assets					
Tangible assets	10	19,701,000		15,260,080	
Investments	11	1,386,296		224,357	
		21,087,296		15,484,437	
Current Assets					
Debtors	14	9,198,789		5,634,294	
Cash at bank and in hand		2,669,549		-	
		11,868,338		5,634,294	
Creditors					
Amounts falling due within one year	15	(4,468,269)		(20,647,328)	
Net current assets/(liabilities)		7,400,069		(15,013,034)	
Creditors					
Amounts falling due after more than one year	16	(23,800,000)		-	
Total assets less current liabilities		4,687,365		471,403	
Capital and reserves					
Called up share capital	18	3,500		3,500	
Revaluation reserve	19	3,978,745		-	
Profit and loss account	19	705,120		467,903	
Shareholder's funds (equity)		4,687,365		471,403	

The accounts were approved by the Board on 14th May 2003.

I Kirkpatrick



T E Milliken



Directors

The notes on pages 9 to 21 form part of these financial statements

Consolidated cash flow statement for the year ended 31st December 2002

	Note	Year to 31.12.02	Year to 31.12.01 £	£
Net cash inflow from operating activities	25	3,515,020		5,286,579
Returns on investment and servicing of finance				
Interest received		1,069,041	88,391	
Interest paid		(2,068,825)	(1,168,748)	
		(999,784)		(1,080,357)
Taxation				
Corporation tax paid		(1,018,643)		(1,273,688)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(1,167,817)	(209,630)	
Receipts from sales of tangible fixed assets		850,265	161,853	
Payments to acquire investments		(295,128)	(26,890)	
Receipts from sales of investments		-	445,495	
		(612,680)		370,828
Acquisitions and disposals				
Cash acquired with subsidiary undertaking		21,447	-	
Purchase of subsidiary undertaking		(52,519)	-	
		(31,072)		-
Equity dividends paid		(878,750)		(1,101,214)
Net cash (outflow)/inflow before financing		(25,909)		2,202,148
Financing				
Merger costs		-	(40,058)	
New loans received		4,750,000	-	
Repayment of loans		(4,800,000)	(1,850,000)	
Redemption of shares held in a subsidiary		-	(223,121)	
Loan notes acquired		23,800,000	-	
Loan notes issued		(23,800,000)	-	
		(50,000)		(2,113,179)
(Decrease)/increase in cash	26,27	(75,909)		88,969

The notes on pages 9 to 21 form part of these financial statements

Notes forming part of the financial statements for the year ended 31st December 2002

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 2002.

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 whole period in the year they join the group. 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.

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life.

Impairment tests on the carrying value of goodwill are undertaken:

At the date of the first full financial year following acquisition;

In other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

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 financial statements for the year ended 31st December 2002 (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.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

On disposal of an investment property the element of tax relating to profit in the year is charged to the profit and loss account and the element relating to earlier revaluation surpluses is included in the Statement of Total Recognised Gains and Losses.

Deferred taxation

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Previously, the group's accounting policy was only to provide for deferred taxation to the extent that liabilities or assets were expected to be payable or receivable in the foreseeable future.

In accordance with FRS19, deferred tax is now provided in respect of all timing differences that have originated, but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. Deferred taxation is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised expected to arise on sale has been recognised in the financial statements. Deferred taxation is measured on a discounted basis.

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.

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

3. Other income	Year to 31.12.02 £	Year to 31.12.01 £
Management fees receivable	15,895	35,803
Other income	5,055	-
	<u>20,950</u>	<u>35,803</u>
4. Interest receivable		
Interest receivable from banks	69,977	87,437
Interest receivable from related companies	978,011	-
Other interest	21,053	954
	<u>1,069,041</u>	<u>88,391</u>
5. Interest payable		
Bank interest	1,066,253	1,168,748
Interest payable to related company	1,001,654	-
Other interest	918	-
	<u>2,068,825</u>	<u>1,168,748</u>
6. Profit on ordinary activities before taxation		
This is arrived at after charging:		
Auditors remuneration	37,000	35,000
Directors emoluments	51,086	88,752

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

7. Taxation on profit on ordinary activities

	Year to 31.12.02 £	Year to 31.12.01 £
Current tax		
UK corporation tax on profits of the year	942,953	881,811
Adjustment in respect of previous years	38,064	(2,672)
Taxation on profit on ordinary activities	<u>981,017</u>	<u>879,139</u>
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	<u>1,963,050</u>	<u>2,761,067</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	588,915	828,320
Effects of:		
Expenses not deductible for tax purposes	526,685	91,151
Non taxable income	(76,423)	(161,125)
Capital allowances and IBA's in excess of depreciation	(15,996)	(16,497)
(Profit)/loss on sale of fixed assets	(70,376)	30,554
Capital gains	-	117,527
Utilisation of tax losses	(9,852)	(8,119)
Adjustments in respect of previous years	38,064	(2,672)
	<u>981,017</u>	<u>879,139</u>

8. Dividends

The following dividends were paid during the period.

Dividends paid of £2.43 per share calculated on 350,000 ordinary shares of £0.01 each (2001 - £2.07 per share)

<u>850,500</u>	<u>724,714</u>
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9. Fixed assets - The group

Intangible assets

Goodwill
£

At 1st January 2002

-

Goodwill arising in the year

687,420

At 31st December 2002

687,420

Goodwill arises as a result of the acquisition of a further 50% of the share capital of Prime Estates (Leeds) Limited which is now a wholly owned subsidiary undertaking.

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

10. Fixed assets - The group

	Freehold Property £	Leasehold property £	Plant and equipment £	Total £
Cost or valuation				
At 1st January 2002	33,011,180	17,899,500	6,874	50,917,554
Additions at cost	1,158,757	1,620	7,440	1,167,817
Disposals	(611,500)	-	(1,000)	(612,500)
Valuation adjustment	2,778,163	2,947,380	-	5,725,543
At 31st December 2002	36,336,600	20,848,500	13,314	57,198,414
Representing				
Cost	-	-	13,314	13,314
Valuation	36,336,600	20,848,500	-	57,185,100
At 31st December 2002	36,336,600	20,848,500	13,314	57,198,414
Depreciation				
At 1st January 2002			4,954	4,954
Eliminated on disposal			(940)	(940)
Charge for the year			1,381	1,381
At 31st December 2002			5,395	5,395
Net book value				
At 31st December 2002	36,336,600	20,848,500	7,919	57,193,019
At 31st December 2001	33,011,180	17,899,500	1,920	50,912,600

The group

The historical cost of investment properties held at 31st December 2002 was £27,241,082 (2001 - £26,621,823).

All properties have been revalued in accordance with a valuation carried out on 31st December 2002 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 2002 (continued)

10. Fixed assets - The company

	Freehold Property £	Leasehold property £	Total £
Cost and valuation			
At 1st January 2002	8,825,080	6,435,000	15,260,080
Additions at cost	84,555	377,620	462,175
Valuation adjustment	1,573,365	2,405,380	3,978,745
At 31st December 2002	10,483,000	9,218,000	19,701,000

11. Investments

Group	Investment in associated undertakings £	Other investments £	Total £
Cost			
At 1st January 2002	-	1,213,197	1,213,197
Additions in the year	25	295,103	295,128
Exchange loss in the year	-	(108,003)	(108,003)
Share of losses for the year	(590,285)		(590,285)
Transfer to provision for net liabilities of associated undertakings	7,342	-	7,342
Transfer to investment in subsidiary undertakings	582,918	-	582,918
At 31st December 2002	-	1,400,297	1,400,297

The investment in associated undertakings at the year end represents a 25% interest in Hunting Gate Wilshire 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 £322,680 (2001 £295,790)
- (ii) an investment of £332,027 (2001 £92,107) in the Brinson Partnership Fund
- (iii) an investment of £745,590 (2001 £825,300) in the entire share capital of Erecta Properties North America Inc a company registered in the United States of America.

The investment in the Brinson Partnership Fund at 31st December 2002 represents \$534,563 out of \$5,000,000 committed to be invested by 31st December 2005.

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 2002 (continued)

11. Investments (continued)

Company	Investment in subsidiary undertakings £	Other investments £	Total £
Cost			
At 1st January 2002	57,200	167,157	224,357
Additions in the year	921,994	268,238	1,190,232
Transfers in the year	75,050	(75,050)	-
Exchange loss in the year	-	(28,293)	(28,293)
At 31st December 2002	1,054,244	332,052	1,386,296

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

Prime Estates (Leeds) Ltd
 EP (Andover) Ltd
 EP (Hillgate) Ltd
 HiE (Hunting Gate) Ltd
 EH (Bedford) Ltd
 Erecta (Hunting Gate) Ltd
 BFE (Wilbury Way) Ltd

12. Stocks

	31.12.02 £	31.12.01 £
Group		
Stocks	3,541,000	280,000

13. Debtors: Amounts falling due after more than one year

Loan notes	23,800,000	-
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Loan notes were acquired to recognise loans given to a related company under common control. The loans are unsecured and attract interest at 5.4% per annum and are repayable on 28th March 2022.

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

14 Debtors

Amounts due within one year

	The group		The company	
	31.12.02 £	31.12.01 £	31.12.02 £	31.12.01 £
Trade debtors	695,530	412,682	432,308	212,227
Other debtors	29,911	99,516	215	-
Prepayments and accrued income	46,974	16,040	37,199	7,788
Amounts owed by subsidiary undertakings	-	-	7,583,078	4,668,320
Amounts owed by associated undertakings	1,145,989	1,081,910	1,145,989	745,959
Corporation tax	-	54,534	-	-
	<u>1,918,404</u>	<u>1,664,682</u>	<u>9,198,789</u>	<u>5,634,294</u>

15. Creditors: Amounts falling due within one year

	The group		The company	
	31.12.02 £	31.12.01 £	31.12.02 £	31.12.01 £
Bank loans and overdraft	8,433,945	9,433,945	-	15,203,015
Trade creditors	46,437	53,796	9,836	-
Corporation tax	422,975	515,135	157,398	-
Other taxes	363,415	210,461	349,745	39,117
Other creditors	156,096	121,879	83,879	-
Accruals and deferred income	2,420,037	2,198,976	599,776	389,265
Amounts due to subsidiary undertakings	-	-	3,267,635	5,015,931
Amounts due to related undertakings	-	125,788	-	-
Proposed dividend - minority	-	28,250	-	-
	<u>11,842,905</u>	<u>12,688,230</u>	<u>4,468,269</u>	<u>20,647,328</u>

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

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

	The group		The company	
	31.12.02	31.12.01	31.12.02	31.12.01
	£	£	£	£
Loans and mortgages				
Sun Life of Canada mortgage	3,420,050	3,470,050	-	-
Bank loans	4,750,000	-	-	-
Loan notes	23,800,000	-	23,800,000	-
	<u>31,970,050</u>	<u>3,470,050</u>	<u>23,800,000</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 company issued 23,800,000 unsecured £1 Loan Notes to a related company under common control on 4th April 2002. Interest at the rate of 5.7% per annum is payable on the Loan Notes, which are repayable on 5th April 2022.

	The group		The company	
	31.12.02	31.12.01	31.12.02	31.12.01
	£	£	£	£
Amounts repayable between one and two years	50,000	50,000	-	-
Amounts repayable between two and five years	150,000	150,000	-	-
Amounts repayable after five years	31,770,050	3,270,050	23,800,000	-
	<u>31,970,050</u>	<u>3,470,050</u>	<u>23,800,000</u>	<u>-</u>

17. Provision for share of net liabilities of associated undertaking

	31.12.02	31.12.01
	£	£
At 1st January 2002	81,833	-
Transfer from investment in associated undertaking (note 11)	7,342	81,833
Written back on conversion of associated undertaking to full subsidiary	(81,833)	-
At 31st December 2002	<u>7,342</u>	<u>81,833</u>

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

18. Share capital			31.12.02	31.12.01
			£	£
Authorised				
350,000 Ordinary shares of £0.01 each			3,500	3,500
Allotted, called up and fully paid				
350,000 Ordinary shares of £0.01 each			3,500	3,500
19. Reserves				
Group				
	Revaluation reserve £	Profit and loss account £	Merger reserve £	Total £
Balance at 1st January 2002	25,087,375	14,935,550	578,038	40,600,963
Profit for the year	-	136,546	-	136,546
Valuation surplus for the year	6,761,745	-	-	6,761,745
Realised surplus on disposals	(420,017)	420,017	-	-
Exchange movement	(79,710)	-	-	(79,710)
Balance at 31st December 2002	31,349,393	15,492,113	578,038	47,419,544
Company				
Balance at 1st January 2002	-	467,903		467,903
Profit for the year	-	237,217		237,217
Valuation surplus for the year	3,978,745	-		3,978,745
Balance at 31st December 2002	3,978,745	705,120		4,683,865

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 2002 (continued)

20. Minority interests	31.12.02	31.12.01
	£	£
Minority interests comprise:		
Net assets of a subsidiary	-	5,013
	-	5,013

21. Contingent liabilities

Subsidiary undertakings' borrowings of £8,362,519 (2001 - £4,633,995), guaranteed by the company, are included in the consolidated balance sheet shown on page 6.

22. Commitments under operating leases

As at 31st December 2002, the group had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	31.12.02	31.12.01
	£	£
Those which expire after five years	133,916	189,953

23. Related party transactions

- (i) Commercial arrangements for full value were entered into with a company of which Mr H J H Bandet, Mrs R B Polkow and Mrs I A M F Boyer were directors and shareholders, whereby the group was provided property management services totalling £393,620 (2001 - £355,453).
- (ii) The group rented properties on normal commercial terms at a cost of £79,040 (2001 - £73,750) to companies of which Mr H J H Bandet, Mrs R B Polkow and Mrs I A M F Boyer were directors and shareholders.
- (iii) Consultancy fees totalling £169,281 (2001 - £159,604) 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 £Nil (2001 - £125,788) paid to a related company in which Mr H. J. H. Bandet, Mrs R. B. Polkow 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 2002 (continued)

24. Acquisition of Prime Estates (Leeds) Limited

On 13th December 2002 the group acquired a further 50% of the share capital of Prime Estates (Leeds) Limited.

The assets and liabilities of Prime Estates (Leeds) Limited at 13th December 2002 are set out below:

	Book and fair value £
Stock	3,400,000
Debtors	1,388
Cash	21,447
Creditors	(103,002)
Loans	(4,619,395)
Net liabilities acquired	<u>(1,299,562)</u>
Goodwill	687,420
	<u>(612,142)</u>
	<u><u>(612,142)</u></u>
Satisfied by:	
Cash consideration	52,519
Transfer from associate	(664,661)
	<u>(612,142)</u>
	<u><u>(612,142)</u></u>

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

	Year to 31.12.02 £	Year to 31.12.01 £
Operating profit	4,203,710	4,071,583
Depreciation charges	1,381	549
Management fees receivable	20,950	35,803
Exchange loss/(gain)	28,293	(2,531)
Decrease in stock	139,000	260,000
(Increase)/decrease in debtors	(1,052,827)	1,270,420
(Increase)/decrease in creditors	172,083	(349,245)
Net cash inflow from operating activities	<u>3,512,590</u>	<u>5,286,579</u>

Notes forming part of the financial statements for the year ended 31st December 2002 (continued)

26. Reconciliation of net cash flow to movement in net debt	Year to 31.12.02 £	Year to 31.12.01 £
(Decrease)/increase in cash in the year	(75,909)	88,969
Repayment of loans	4,800,000	1,850,000
New loans	(32,300,000)	-
Change in net debt	(27,575,909)	1,938,969
Net debt at 1st January 2002	(10,124,885)	(12,063,854)
Net debt at 31st December 2002	(37,700,794)	(10,124,885)

27. Analysis of net debt

	At 01.01.02 £	Cashflow £	Other Changes £	At 31.12.02 £
Cash at bank and in hand	2,779,110	(75,909)	-	2,703,201
Debt due within one year	(9,433,945)	4,750,000	(3,750,000)	(8,433,945)
Debt due after more than one year	(3,470,050)	(4,700,000)	(23,800,000)	(31,970,050)
	(10,124,885)	(25,909)	(27,550,000)	(37,700,794)