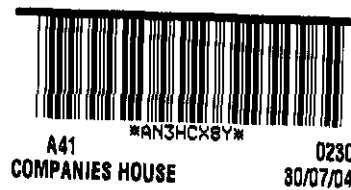


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PRIME ESTATES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

For the year ended
31st December 2003



PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 31st December 2003

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-

President

H J H Bandet

Directors

R B Polkow
I A M F Boyer
I Kirkpatrick (Chairman)
T E Milliken
J B Boyer (as alternate to I A M F Boyer)

Secretary and registered office

N J Alexander, 64 Wilbury Way, Hitchin, Hertfordshire, SG4 0TP

Company Number

1823607

Auditors

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

Report of the directors for the year ended 31st December 2003

The directors submit their report together with the audited financial statements of the group for the year ended 31st December 2003.

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 2004, and that losses arising from fixed asset revaluations and goodwill impairment 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 9 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 01.01.03 and 31.12.03 (Ordinary shares of £0.01)
H J H Bandet (resigned 23rd March 2004)	129,393
R B Polkow	128,762
I A M F Boyer	91,845
I Kirkpatrick	-
T E Milliken	-
J P Walters (resigned 20th January 2004)	-
J B Boyer (appointed 26th September 2004 as alternate to I A M F Boyer)	-

Report of the directors for the year ended 31st December 2003

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.

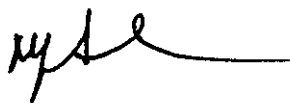
Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor.

Elective resolutions and auditors

The Company has, by elective resolution, resolved to dispense with the need to hold Annual General Meetings and to reappoint auditors annually. Accordingly BDO Stoy Hayward LLP, who have indicated their willingness so to do, will continue in office as auditors to the company.

By order of the board.



N J Alexander
Secretary

15th July 2004

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 2003 on pages 4 to 23 which have been prepared under the accounting policies set out on pages 9 to 11.

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.

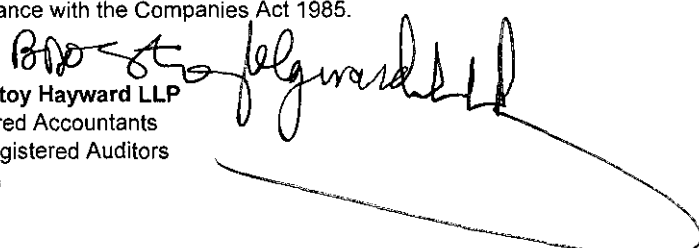
Basis of audit opinion

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 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.


BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
London

15th July 2004

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 4

Consolidated profit and loss account for the year ended 31st December 2003

	Note	Year to 31.12.03 £	As restated Year to 31.12.02 £
Gross rental income	2	5,861,319	5,663,783
Less share of joint venture rental income		(12,979)	-
		<u>5,848,340</u>	<u>5,663,783</u>
Property expenses		(316,900)	(514,280)
NET RENTAL INCOME		<u>5,531,440</u>	<u>5,149,503</u>
Income from US property investments		852,040	414,320
Movement in stock		200,000	102,589
Administration expenses		(1,242,532)	(1,195,063)
OPERATING PROFIT		<u>5,340,948</u>	<u>4,471,349</u>
Other income	3	24,740	20,950
Reduction in provision for investments in related company		-	125,956
Provision on revaluation of fixed assets		(623,700)	(1,036,202)
Provision for impairment of goodwill		(687,420)	-
Profit on disposal of fixed assets		-	238,705
Share of losses of associated undertakings		(9,948)	(519,356)
Share of losses of joint ventures		<u>(10,168)</u>	<u>-</u>
		(20,116)	(519,356)
Profit on ordinary activities before interest		<u>4,034,452</u>	<u>3,301,402</u>
Interest receivable	4	1,340,389	1,071,137
Interest payable	5	(2,585,303)	(2,076,024)
Interest payable - associated undertakings		(43,082)	(70,929)
Interest payable - joint ventures		<u>(9,865)</u>	<u>-</u>
		(52,947)	(70,929)
Profit on ordinary activities before taxation	6	<u>2,736,591</u>	<u>2,225,586</u>
Taxation	8	(1,293,564)	(926,923)
Profit on ordinary activities after taxation		<u>1,443,027</u>	<u>1,298,663</u>
Minority interest		(21,685)	5,013
Profit for the financial year		<u>1,421,342</u>	<u>1,303,676</u>
Dividends	9	(402,500)	(850,500)
Retained profit for the year	20	<u>1,018,842</u>	<u>453,176</u>

All amounts relate to continuing activities.

The notes on pages 9 to 23 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 2003

	Note	Year to 31.12.03 £	As restated Year to 31.12.02 £
<u>Statement of total recognised gains and losses</u>			
Profit for the financial year		1,421,342	1,303,676
Unrealised surplus on revaluation of properties	20	421,178	6,761,745
Exchange translation differences	20	(182,662)	(79,710)
Total recognised gains for the year		<u>1,659,858</u>	<u>7,985,711</u>
<u>Reconciliation of movements in shareholders' funds</u>			
Total recognised gains for the year		1,659,858	7,985,711
Dividends		(402,500)	(850,500)
Shareholders' funds at the start of the year		<u>48,753,226</u>	<u>41,618,015</u>
Shareholders' funds at the end of the year		<u>50,010,584</u>	<u>48,753,226</u>
<u>Note of historical cost profits and losses</u>			
Profit on ordinary activities before taxation		2,736,591	2,225,586
Realisation of property valuation gains of prior years		-	420,017
Historical cost profit on ordinary activities before taxation		<u>2,736,591</u>	<u>2,645,603</u>
Historical cost profit on ordinary activities after taxation, minority interest and dividends		<u>1,018,842</u>	<u>973,193</u>

The notes on pages 9 to 23 form part of these financial statements.

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 6

Consolidated balance sheet at 31 December 2003

	Note	31.12.03	As restated 31.12.02
		£	£
Fixed Assets			
Intangible assets	10	-	687,420
Tangible assets	11	57,128,321	57,193,019
Investments in joint ventures			
Share of gross assets		8,427,714	-
Share of gross liabilities		(7,447,748)	-
		979,966	-
Investment in associates		-	-
Other investments		2,783,615	2,591,423
Fixed asset investments	12	3,763,581	2,591,423
		60,891,902	60,471,862
Debtors			
Amounts falling due after more than one year	14	29,160,000	23,800,000
Current Assets			
Stocks	13	3,741,000	3,541,000
Debtors due within one year	15	2,642,303	2,004,589
Cash at bank and in hand		1,380,541	2,874,648
		7,763,844	8,420,237
Creditors			
Amounts falling due within one year	16	(4,031,159)	(11,904,200)
Net current assets/(liabilities)		3,732,685	(3,483,963)
Creditors			
Amounts falling due after more than one year	17	(43,640,050)	(31,970,050)
Provision for share of net liabilities of associated undertaking	18	(60,372)	(7,342)
Total net assets		<u>50,084,165</u>	<u>48,810,507</u>
Capital and reserves			
Called up share capital	19	3,500	3,500
Merger reserve	20	578,038	578,038
Revaluation reserve	20	31,895,815	31,351,599
Profit and loss account	20	17,533,231	16,820,089
Shareholder's funds (equity)		<u>50,010,584</u>	<u>48,753,226</u>
Minority interest	21	73,581	57,281
		<u>50,084,165</u>	<u>48,810,507</u>

The accounts were approved by the Board on 15th July 2004.

I Kirkpatrick



T E Millken



Directors

The notes on pages 9 to 23 form part of these financial statements.

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 7

Company balance sheet at 31 December 2003

	Note	31.12.03 £	£	31.12.02 £	£
Fixed Assets					
Tangible assets	11	21,010,050		19,701,000	
Investments	12	601,431		1,386,296	
		<u>21,611,481</u>		<u>21,087,296</u>	
Current Assets					
Debtors	15	12,354,374		9,198,789	
Cash at bank and in hand		450,526		2,669,549	
		<u>12,804,900</u>		<u>11,868,338</u>	
Creditors					
Amounts falling due within one year	16	(2,323,956)		(4,468,269)	
		<u></u>		<u></u>	
Net current assets		10,480,944		7,400,069	
Creditors					
Amounts falling due after more than one year	17	(28,160,000)		(23,800,000)	
		<u></u>		<u></u>	
Total assets less current liabilities		<u>3,932,425</u>		<u>4,687,365</u>	
Capital and reserves					
Called up share capital	19	3,500		3,500	
Revaluation reserve	20	3,926,745		3,978,745	
Profit and loss account	20	2,180		705,120	
		<u>3,932,425</u>		<u>4,687,365</u>	
Shareholder's funds (equity)		<u>3,932,425</u>		<u>4,687,365</u>	

The accounts were approved by the Board on 15th July 2004.

I Kirkpatrick

T E Milliken

Directors

The notes on pages 9 to 23 form part of these financial statements

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 8

Consolidated cash flow statement for the year ended 31st December 2003

	Note	Year to 31.12.03 £	£	As restated Year to 31.12.02 £	£
Net cash inflow from operating activities	25		3,963,152		3,780,229
Returns on investment and servicing of finance					
Interest received		1,340,389		1,071,137	
Interest paid		(2,585,303)		(2,076,024)	
			(1,244,914)		(1,004,887)
Taxation					
Corporation tax paid			(1,172,426)		(1,018,643)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(129,824)		(1,427,923)	
Receipts from sales of tangible fixed assets		-		850,265	
Payments to acquire investments		(433,601)		(295,128)	
			(563,425)		(872,786)
Acquisitions and disposals					
Cash acquired with subsidiary undertaking		-		21,447	
Purchase of subsidiary undertaking		-		(52,519)	
Investment in joint venture		(999,999)		-	
			(999,999)		(31,072)
Equity dividends paid			(402,500)		(878,750)
Net cash outflow before financing			(420,112)		(25,909)
Financing					
New loans received		-		4,750,000	
Repayment of loans		(1,073,995)		(4,800,000)	
Loan notes acquired		4,360,000		23,800,000	
Loan notes issued		(4,360,000)		(23,800,000)	
			(1,073,995)		(50,000)
Decrease in cash	26,27		(1,494,107)		(75,909)

The notes on pages 9 to 23 form part of these financial statements

Notes forming part of the financial statements for the year ended 31st December 2003

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 2003.

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.

Restatement of comparative figures

For the first time this year, the consolidated financial statements include the results and net assets of Erecta Properties (North America) Inc, a wholly owned subsidiary, and Wilbury West Investments Inc, which is 97% owned by Erecta Properties (North America) Inc. These entities had been excluded from the consolidation in previous years on the grounds of materiality.

Comparative figures for 2002 have been restated for inclusion of these entities. This has the effect of increasing the net assets of the group as at 31st December 2002 by £1,387,463.

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.

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

1. Accounting policies (continued)

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.

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	- 10% 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

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.

The recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

1. Accounting policies (continued)

Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard 8 and not disclosed transactions undertaken with companies that are part of the group, as consolidated financial statements are publicly available.

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 31.12.03 £	As restated Year to 31.12.02 £
Management fees receivable	-	15,895
Insurance commission	24,740	-
Other income	-	5,055
	<u>24,740</u>	<u>20,950</u>
4. Interest receivable		
Interest receivable from banks	41,130	72,073
Interest receivable from related companies	1,297,784	978,011
Other interest	1,475	21,053
	<u>1,340,389</u>	<u>1,071,137</u>
5. Interest payable		
Bank interest	1,283,041	1,073,452
Interest payable to related company	1,301,383	1,001,654
Other interest	879	918
	<u>2,585,303</u>	<u>2,076,024</u>
6. Profit on ordinary activities before taxation		
This is arrived at after charging:		
Auditors remuneration	45,000	37,000
Directors emoluments	202,116	51,086
Depreciation	<u>4,522</u>	<u>1,381</u>

The highest paid director received £85,000 which represented a termination payment.

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

7. Employees	Year to 31.12.03 £	As restated Year to 31.12.02 £
Staff costs (including salaried directors) consist of:		
Wages and Salaries	255,603	-
Social Security costs	18,539	-
Pension costs	7,758	-
	<u>281,900</u>	<u>-</u>

The average number of employees during the year was 9 (2002 - £Nil).
Staff were only employed during the last four months of the year.

8. Taxation on profit on ordinary activities

Current tax

UK corporation tax on profits of the year	994,000	942,953
Adjustment in respect of previous years	8,225	38,064
US taxation	291,339	(54,094)
Taxation on profit on ordinary activities	<u>1,293,564</u>	<u>926,923</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>2,736,591</u>	<u>2,225,586</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 - 30%)	820,977	667,676
Effects of:		
Expenses not deductible for tax purposes	297,687	383,329
Non taxable income	(11,398)	(76,423)
Capital allowances and IBA's in excess of depreciation	(31,239)	(15,996)
(Profit)/loss on sale of fixed assets	-	(70,376)
Goodwill impairment	206,226	-
Utilisation of tax losses	(27,872)	(9,852)
Adjustments in respect of previous years	8,225	38,064
Higher rate taxes on overseas earnings	30,958	10,501
	<u>1,293,564</u>	<u>926,923</u>

9. Dividends

The following dividends were paid during the period.

Dividends paid of £1.15 per share calculated on 350,000 ordinary shares of £0.01 each (2002 - £2.43 per share)	<u>402,500</u>	<u>850,500</u>
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Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

10. Intangible fixed assets - The group

	Goodwill £
Cost or valuation	
At 1st January 2003 and 31st December 2003	<u>687,420</u>
Amortisation	
At 1st January 2003	-
Impairment	<u>687,420</u>
At 31st December 2003	<u>687,420</u>
Net book value	
At 31st December 2003	<u>-</u>
At 31st December 2002	<u>687,420</u>

Goodwill arose as a result of the acquisition of the remaining share capital of Prime Estates (Leeds) Limited in 2002 which is now a wholly owned subsidiary undertaking.

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

11. Tangible fixed assets - The group

	Freehold property £	Leasehold property £	Plant and equipment £	Total £
Cost or valuation				
At 1st January 2003	36,336,600	20,848,500	13,314	57,198,414
Additions at cost	1,050	-	128,774	129,824
Valuation adjustment	263,000	(453,000)	-	(190,000)
	<u>36,600,650</u>	<u>20,395,500</u>	<u>142,088</u>	<u>57,138,238</u>
At 31st December 2003	36,600,650	20,395,500	142,088	57,138,238
Representing				
Cost	-	-	142,088	142,088
Valuation	36,600,650	20,395,500	-	56,996,150
	<u>36,600,650</u>	<u>20,395,500</u>	<u>142,088</u>	<u>57,138,238</u>
At 31st December 2003	36,600,650	20,395,500	142,088	57,138,238
Depreciation				
At 1st January 2003			5,395	5,395
Charge for the year			4,522	4,522
			<u>9,917</u>	<u>9,917</u>
At 31st December 2003			9,917	9,917
Net book value				
At 31st December 2003	<u>36,600,650</u>	<u>20,395,500</u>	<u>132,171</u>	<u>57,128,321</u>
At 31st December 2002	<u>36,336,600</u>	<u>20,848,500</u>	<u>7,919</u>	<u>57,193,019</u>

The group

The historical cost of investment properties held at 31st December 2003 was £27,242,132 (2002 - £27,241,082).

All properties have been revalued in accordance with a valuation carried out on 31st December 2003 by Mr J M Pate, a chartered surveyor and employee of Prime Estates Services Limited. The basis of the valuation was open market value.

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

11. Tangible fixed assets - The company

	Freehold property £	Leasehold property £	Total £
Cost and valuation			
At 1st January 2003	10,483,000	9,218,000	19,701,000
Additions at cost	1,361,050	-	1,361,050
Transfer to freehold	4,463,000	(4,463,000)	-
Valuation adjustment	38,000	(90,000)	(52,000)
At 31st December 2003	16,345,050	4,665,000	21,010,050

12. Fixed asset investments

Group	Investment in joint ventures £	Investment in associated undertakings £	Other investments £	As restated Total £
Cost				
At 1st January 2003	-	25	2,620,495	2,620,520
Additions	999,999	-	433,601	1,433,600
At 31st December 2003	999,999	25	3,054,096	4,054,120
Share of retained losses				
At 1st January 2003	-	(7,367)	-	(7,367)
Loss for the year	(20,033)	(53,030)	-	(73,063)
At 31st December 2003	(20,033)	(60,397)	-	(80,430)
Provisions/revaluations				
At 1st January 2003	-	7,342	(29,072)	(21,730)
Transfer to provisions	-	53,030	-	53,030
Exchange loss	-	-	(241,409)	(241,409)
At 31st December 2003	-	60,372	(270,481)	(210,109)
Net book value				
At 31st December 2003	979,966	-	2,783,615	3,763,581
At 31st December 2002	-	-	2,591,423	2,591,423

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

12. Fixed asset investments (continued)

Group

The investment in joint ventures at the year end represents a 49.99995% interest in Ampere Property LLP, registered in England and whose principal activity is property investment.

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 £349,570 (2002 £322,680)
- (ii) an investment of £544,124 (2002 £332,027) in the Brinson Partnership Fund
- (iii) investments of £1,889,921 (2002 £1,936,716) in joint venture partnerships, real estate investments and other marketable investments in the United States of America.

The investment in the Brinson Partnership Fund at 31st December 2003 represents \$966,964 out of \$5,000,000 committed to be invested by 31st December 2005.

Joint ventures

The group had the following aggregate interests in joint ventures

	31.12.03 £	31.12.02 £
Share of assets		
Share of fixed assets	7,870,532	-
Share of current assets	557,182	-
	<u>8,427,714</u>	<u>-</u>
Share of liabilities		
Due within one year	(534,748)	-
Due after one year	(6,913,000)	-
	<u>(7,447,748)</u>	<u>-</u>
Share of net assets	<u>979,966</u>	<u>-</u>

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

12. Fixed asset investments (continued)**Company**

	Investment in subsidiary undertakings	Other investments	Total
	£	£	£
Cost			
At 1st January 2003	1,054,244	332,052	1,386,296
Additions in the year	2	271,399	271,401
Exchange loss in the year	-	(59,302)	(59,302)
At 31st December 2003	1,054,246	544,149	1,598,395
Provision			
At 1st January 2003	-	-	-
Provided in the year	996,964	-	996,964
At 31st December 2003	996,964	-	996,964
Net book value			
At 31st December 2003	57,282	544,149	601,431
At 31st December 2002	1,054,244	332,052	1,386,296

Details of principal subsidiary undertakings are set out below:

Registered in England and wholly owned either directly or indirectly.

Prime Estates (Northumbria) Ltd
 Prime Estates (CI) Ltd
 Wilbury Investments Ltd
 Wilbury Estates Ltd
 Prime Estates Services 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
 Prime Estates (East Anglia) Ltd
 Prime Estates (Stevenage) Ltd

Registered in the United States of America

Erecta Properties (North America) Inc (100% owned)
 Wilbury West Investments Inc (97% owned)

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

13. Stocks

	31.12.03 £	31.12.02 £
Group		
Stocks	3,741,000	3,541,000

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

Group		
Loan notes	28,160,000	23,800,000
Amounts owed by joint ventures	1,000,000	-
	29,160,000	23,800,000

On 14th May 2003 a related company under common control cancelled 23,800,000 £1 Loan Notes due to certain group companies and issued new Loan Notes in the same sum. Interest at the rate of 4.35% is payable on the Loan Notes, which are repayable on 5th April 2020.

The related company issued a further 1,360,000 £1 Loan Notes to certain group companies on 14th May 2003. Interest at the rate of 4.35% is payable on the Loan Notes, which are repayable on 14th February 2023.

The related company issued a further 3,000,000 £1 Loan Notes to a group company on 14th May 2003. Interest at the rate of 4.35% is payable on the Loan Notes, which are repayable on 1st January 2023.

15. Debtors

Amounts due within one year

	The group		The company	
	31.12.03 £	As restated 31.12.02 £	31.12.03 £	31.12.02 £
Trade debtors	792,697	695,530	301,781	432,308
Other debtors	200,490	113,296	215	215
Prepayments and accrued income	234,116	49,774	208,866	37,199
Amounts owed by subsidiary undertakings	-	-	10,428,512	7,583,078
Amounts owed by associated undertakings	1,415,000	1,145,989	1,415,000	1,145,989
	2,642,303	2,004,589	12,354,374	9,198,789

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

16. Creditors: Amounts falling due within one year

	The group		The company	
	31.12.03	As restated 31.12.02	31.12.03	31.12.02
	£	£	£	£
Bank loans and overdraft	49,950	8,433,945	-	-
Trade creditors	67,097	46,437	27,483	9,836
Corporation tax	544,113	422,975	272,090	157,398
Other taxes	394,792	424,285	231,613	349,745
Other creditors	219,353	156,094	84,105	83,879
Accruals and deferred income	2,755,854	2,420,464	545,863	599,776
Amounts due to subsidiary undertakings	-	-	1,162,802	3,267,635
	4,031,159	11,904,200	2,323,956	4,468,269

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

	The group		The company	
	31.12.03	31.12.02	31.12.03	31.12.02
	£	£	£	£
Loans and mortgages				
Sun Life of Canada mortgage	3,370,050	3,420,050	-	-
Bank loans	12,110,000	4,750,000	-	-
Loan notes	28,160,000	23,800,000	28,160,000	23,800,000
	43,640,050	31,970,050	28,160,000	23,800,000

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.

On 14th May 2003 the company cancelled 23,800,000 £1 Loan Notes due to a related company under common control and issued new Loan Notes in the same sum. Interest at the rate of 4.65% is payable on the Loan Notes, which are repayable on 5th April 2020.

The company issued a further 1,360,000 £1 Loan Notes to a related company under common control, on 14th May 2003. Interest at the rate of 4.65% is payable on the Loan Notes, which are repayable on 14th February 2023.

The company issued a further 3,000,000 £1 Loan Notes to a related company, under common control, on 14th May 2003. Interest at the rate of 4.65% is payable on the Loan Notes, which are repayable on 1st January 2023.

	The group		The company	
	31.12.03	31.12.02	31.12.03	31.12.02
	£	£	£	£
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	43,440,050	31,770,050	28,160,000	23,800,000
	43,640,050	31,970,050	28,160,000	23,800,000

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

18. Provision for share of net liabilities of associated undertaking

	31.12.03	31.12.02
	£	£
At 1st January 2003	7,342	81,833
Transfer from investment in associated undertaking (note 12)	53,030	7,342
Written back on conversion of associated undertaking to full subsidiary	-	(81,833)
At 31st December 2003	60,372	7,342

19. Share capital

	31.12.03	31.12.02
	£	£
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

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

20. Reserves**Group**

	Revaluation reserve £	Profit and loss account £	Merger reserve £	As restated Total £
Balance at 1st January 2003	31,351,599	16,820,089	578,038	48,749,726
Profit for the year	-	1,018,842	-	1,018,842
Valuation surplus for the year	421,178	-	-	421,178
Reserve transfer	305,700	(305,700)	-	-
Exchange movement	(182,662)	-	-	(182,662)
Balance at 31st December 2003	31,895,815	17,533,231	578,038	50,007,084

Company

Balance at 1st January 2003	3,978,745	705,120	4,683,865
Loss for the year	-	(702,940)	(702,940)
Valuation deficit for the year	(52,000)	-	(52,000)
Balance at 31st December 2003	3,926,745	2,180	3,928,925

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.

21. Minority interest

	31.12.03 £	As restated 31.12.02 £
Minority interest comprises:		
Net assets of a subsidiary	73,581	57,281

22. Contingent liabilities

No such liabilities are known to the directors.

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

23. Commitments under operating leases

As at 31st December 2003, the group had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	31.12.03	31.12.02
	£	£
Those which expire after five years	192,415	133,916

24. 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 £268,092 (2002 - £393,620).
- (ii) The group rented properties on normal commercial terms at a cost of £79,040 (2002 - £79,040) 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 £308,872 (2002 - £307,639) were charged by a company of which Mr H. J. H. Bandet was a director and a shareholder of the ultimate parent company.
- (iv) The group occupied a property and utilised facilities under a Tenancy at Will at a cost of £8,700 (2002 - £Nil) from a company of which Mr H. J. H. Bandet, Mrs R. B. Polkow and Mrs I. A. M. F. Boyer were interested as directors and shareholders of its ultimate parent company.

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

	Year to	As restated
	31.12.03	Year to
	£	31.12.02
		£
Operating profit	5,340,948	4,471,349
Depreciation charges	4,522	1,381
Other income	24,740	20,950
Exchange loss	40,840	28,293
(Increase)/decrease in stock	(200,000)	139,000
Increase in debtors	(1,637,714)	(1,052,827)
Increase in creditors	389,816	172,083
Net cash inflow from operating activities	3,963,152	3,780,229

Notes forming part of the financial statements for the year ended 31st December 2003 (continued)

26. Reconciliation of net cash flow to movement in net debt	As restated	
	Year to 31.12.03 £	Year to 31.12.02 £
Decrease in cash in the year	(1,494,107)	(75,909)
Repayment of loans	-	4,800,000
New loans	(4,360,000)	(32,300,000)
Change in net debt	(5,854,107)	(27,575,909)
Net debt at 1st January 2003	(37,529,347)	(10,124,885)
Net debt at 31st December 2003	(43,383,454)	(37,700,794)

27. Analysis of net debt	As restated at 01.01.03 £	Cashflow £	Other Changes £	At 31.12.03 £
Cash at bank and in hand	2,874,648	(1,494,107)	-	1,380,541
Debt due within one year	(8,433,945)	8,383,995	-	(49,950)
Debt due after more than one year	(31,970,050)	(7,310,000)	(4,360,000)	(43,640,050)
	(37,529,347)	(420,112)	(4,360,000)	(42,309,459)