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PRIME ESTATES LIMITED AND SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS

For the year ended
31st December 2004



PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Annual report and financial statements for the year ended 31st December 2004

CONTENTS

Page:

1. Report of the directors
 3. Report of the independent auditors
 4. Consolidated profit and loss account
 5. Consolidated statement of total recognised gains and losses, reconciliation of movements in shareholders funds and note of historical cost profits and losses
 6. Consolidated balance sheet
 7. Company balance sheet
 8. Consolidated cash flow statement
 9. Notes forming part of the financial statements
-

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 2004

The directors submit their report together with the audited financial statements of the group for the year ended 31st December 2004.

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 2005, and that losses arising from fixed asset revaluations 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 01.01.04 and 31.12.04 (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 B Boyer (as alternate to I A M F Boyer)	-

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.

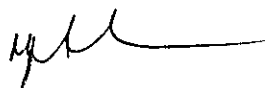
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the directors for the year ended 31st December 2004

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

12th August 2005

64 Wilbury Way, Hitchin, Herts

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 2004 on pages 4 to 23 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.

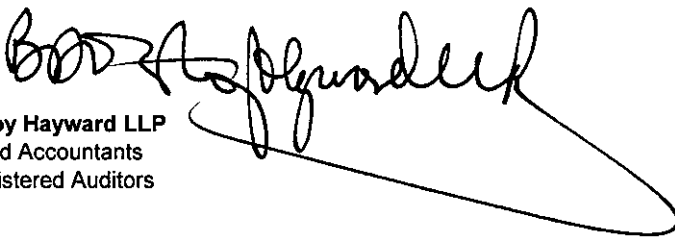
Basis of audit opinion

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 2004 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

12th August 2005

PRIME ESTATES LTD AND SUBSIDIARY COMPANIES

Page 4

Consolidated profit and loss account for the year ended 31st December 2004

	Note	Year to 31.12.04 £	Year to 31.12.03 £
Gross rental income	2	6,656,595	6,083,139
Less share of joint venture rental income		(681,662)	(12,979)
		<u>5,974,933</u>	<u>6,070,160</u>
Property expenses		(258,982)	(316,900)
NET RENTAL INCOME		<u>5,715,951</u>	<u>5,753,260</u>
Lease surrender premiums		1,090,000	-
Income from US property investments		404,171	852,040
Movement in stock		848,501	200,000
Administration expenses		(1,497,439)	(1,464,352)
OPERATING PROFIT		<u>6,561,184</u>	<u>5,340,948</u>
Other income	3	142,736	24,740
Provision on revaluation of fixed assets		(822,798)	(623,700)
Provision for impairment of goodwill		-	(687,420)
Profit on disposal of fixed assets		10,772	-
Share of profits/(losses) of associated undertakings		136,832	(9,948)
Share of profits/(losses) of joint ventures		<u>614,808</u>	<u>(10,168)</u>
		751,640	(20,116)
Profit on ordinary activities before interest		<u>6,643,534</u>	<u>4,034,452</u>
Interest receivable	4	1,588,110	1,340,389
Interest receivable - associated undertakings		336	-
Interest receivable - joint ventures		<u>13,291</u>	<u>-</u>
		13,627	-
Interest payable	5	(2,575,220)	(2,585,303)
Interest payable - associated undertakings		(73,923)	(43,082)
Interest payable - joint ventures		<u>(645,252)</u>	<u>(9,865)</u>
		(719,175)	(52,947)
Profit on ordinary activities before taxation	6	<u>4,950,876</u>	<u>2,736,591</u>
Taxation	8	(1,297,228)	(1,293,564)
Profit on ordinary activities after taxation		<u>3,653,648</u>	<u>1,443,027</u>
Minority interest		(5,563)	(21,685)
Profit for the financial year		<u>3,648,085</u>	<u>1,421,342</u>
Dividends	9	(1,400,001)	(402,500)
Retained profit for the year	20	<u>2,248,084</u>	<u>1,018,842</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 2004

	Note	Year to 31.12.04 £	Year to 31.12.03 £
<u>Statement of total recognised gains and losses</u>			
Profit for the financial year		3,648,085	1,421,342
Unrealised surplus on revaluation of properties	20	7,392,176	421,178
Exchange translation differences	20	(169,436)	(182,662)
Total recognised gains for the year		<u>10,870,825</u>	<u>1,659,858</u>
<u>Reconciliation of movements in shareholders' funds</u>			
Total recognised gains for the year		10,870,825	1,659,858
Dividends		(1,400,001)	(402,500)
Shareholders' funds at the start of the year		50,010,584	48,753,226
Shareholders' funds at the end of the year		<u>59,481,408</u>	<u>50,010,584</u>
<u>Note of historical cost profits and losses</u>			
Profit on ordinary activities before taxation		4,950,876	2,736,591
Realisation of property valuation gains of prior years		127,730	-
Historical cost profit on ordinary activities before taxation		<u>5,078,606</u>	<u>2,736,591</u>
Historical cost profit on ordinary activities after taxation, minority interest and dividends		<u>2,375,814</u>	<u>1,018,842</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 2004

	Note	£	31.12.04 £	£	31.12.03 £
Fixed Assets					
Tangible assets	10		61,920,745		57,128,321
Investments in joint ventures					
Share of gross assets		9,250,278		8,427,714	
Share of gross liabilities		(7,329,723)		(7,447,748)	
		1,920,555		979,966	
Investment in associates		560,114		-	
Other investments		3,246,420		2,783,615	
Fixed asset investments	12		5,727,089		3,763,581
			67,647,834		60,891,902
Debtors					
Amounts falling due after more than one year	14		31,838,000		29,160,000
Current Assets					
Stocks	13	4,455,000		3,741,000	
Debtors due within one year	15	2,537,765		2,642,303	
Cash at bank and in hand		1,752,247		1,380,541	
		8,745,012		7,763,844	
Creditors					
Amounts falling due within one year	16	(4,316,016)		(4,031,159)	
Net current assets			4,428,996		3,732,685
Creditors					
Amounts falling due after more than one year	17		(44,368,000)		(43,640,050)
Provision for share of net liabilities of associated undertaking	18		-		(60,372)
Total net assets			<u>59,546,830</u>		<u>50,084,165</u>
Capital and reserves					
Called up share capital	19		3,500		3,500
Merger reserve	20		578,038		578,038
Revaluation reserve	20		38,990,825		31,895,815
Profit and loss account	20		19,909,045		17,533,231
Shareholder's funds (equity)			<u>59,481,408</u>		<u>50,010,584</u>
Minority interest	21		65,422		73,581
			<u>59,546,830</u>		<u>50,084,165</u>

The accounts were approved by the Board on 12th August 2005.

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

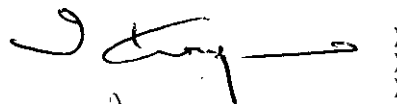
Page 7

Company balance sheet at 31 December 2004

	Note	31.12.04 £	£	31.12.03 £	£
Fixed Assets					
Tangible assets	11	18,719,000		21,010,050	
Investments	12	1,932,006		601,431	
		<u>20,651,006</u>		<u>21,611,481</u>	
Current Assets					
Debtors	15	18,982,414		12,354,374	
Cash at bank and in hand		958,816		450,526	
		<u>19,941,230</u>		<u>12,804,900</u>	
Creditors					
Amounts falling due within one year	16	(3,719,237)		(2,323,956)	
		<u>16,221,993</u>		<u>10,480,944</u>	
Net current assets					
		16,221,993		10,480,944	
Creditors					
Amounts falling due after more than one year	17	(30,838,000)		(28,160,000)	
		<u>6,034,999</u>		<u>3,932,425</u>	
Total assets less current liabilities					
		<u>6,034,999</u>		<u>3,932,425</u>	
Capital and reserves					
Called up share capital	19	3,500		3,500	
Revaluation reserve	20	4,121,510		3,926,745	
Profit and loss account	20	1,909,989		2,180	
		<u>6,034,999</u>		<u>3,932,425</u>	
Shareholder's funds (equity)					
		<u>6,034,999</u>		<u>3,932,425</u>	

The accounts were approved by the Board on 12th August 2005.

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 2004

	Note	Year to 31.12.04 £	£	Year to 31.12.03 £	£
Net cash inflow from operating activities	25		5,846,352		3,963,152
Returns on investment and servicing of finance					
Interest received		1,588,110		1,340,389	
Interest paid		(2,575,220)		(2,585,303)	
			(987,110)		(1,244,914)
Taxation					
Corporation tax paid			(1,210,016)		(1,172,426)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(42,815)		(129,824)	
Receipts from sales of tangible fixed assets		290,772		-	
Payments to acquire investments		(712,390)		(433,601)	
Receipts from sales of investments		36,914		-	
			(427,519)		(563,425)
Acquisitions and disposals					
Investment in joint venture			-		(999,999)
Equity dividends paid			(900,001)		(402,500)
Net cash inflow/(outflow) before financing			2,321,706		(420,112)
Financing					
Repayment of loans		(1,950,000)		(1,073,995)	
Loan notes acquired		2,678,000		4,360,000	
Loan notes issued		(2,678,000)		(4,360,000)	
			(1,950,000)		(1,073,995)
Increase/(decrease) in cash	26,27		371,706		(1,494,107)

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 2004

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 2004.

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. 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.

Joint Ventures

An entity is treated as a joint venture where the group holds a long term interest and shares control under a contractual agreement.

In the group accounts, interests in joint ventures are accounted for using the gross equity method of accounting. The consolidated profit and loss account indicates the group's share of the joint venture's turnover and includes the group's share of the operating results, interest, pre tax results and attributable taxation of such undertakings based on audited financial statements.

In the consolidated balance sheet, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to its joint ventures are shown separately.

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 2004 (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 - 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.

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.

Comparative figures

Certain prior year amounts in the profit and loss account have been reclassified to conform with the 2004 presentation.

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 2004 (continued)

3. Other income	Year to 31.12.04 £	Year to 31.12.03 £
Management fees receivable	31,500	-
Insurance commission	90,802	24,740
Other income	20,434	-
	<u>142,736</u>	<u>24,740</u>
4. Interest receivable		
Interest receivable from banks	10,144	41,130
Interest receivable from related companies	1,559,884	1,297,784
Other interest	18,082	1,475
	<u>1,588,110</u>	<u>1,340,389</u>
5. Interest payable		
Bank interest	1,163,273	1,283,041
Interest payable to related company	1,410,785	1,301,383
Other interest	1,162	879
	<u>2,575,220</u>	<u>2,585,303</u>
6. Profit on ordinary activities before taxation		
This is arrived at after charging:		
Auditors remuneration	47,250	45,000
Depreciation	<u>24,786</u>	<u>4,522</u>

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

	Year to 31.12.04 £	Year to 31.12.03 £
7. Employees and directors		
Staff costs (including salaried directors) consist of:		
Wages and Salaries	522,166	255,603
Social Security costs	50,021	18,539
Pension costs	23,643	7,758
	<u>595,830</u>	<u>281,900</u>

The average number of employees during the year was 9 (2003 - 9).
Staff were only employed during the last four months of the previous year.

Directors remuneration consists of:

Directors emoluments	234,003	201,640
Pension contributions	12,000	-
	<u>246,003</u>	<u>201,640</u>

Emoluments of the highest paid director amounted to £160,000 (2003 - £85,000).
Pension contributions for the highest paid director amounted to £12,000 (2003 - £Nil).

Included in the above are fees of £25,000 (2003 - £18,332) paid by various subsidiary companies to Ian Kirkpatrick Management Services Ltd in accordance with an agreement for the provision of the services of Mr Kirkpatrick.

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

8. Taxation on profit on ordinary activities	Year to 31.12.04 £	Year to 31.12.03 £
Current tax		
UK corporation tax on profits of the year	1,193,567	994,000
Adjustment in respect of previous years	1,719	8,225
US taxation	101,942	291,339
Taxation on profit on ordinary activities	<u>1,297,228</u>	<u>1,293,564</u>
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:		
Profit on ordinary activities before tax	<u>4,950,876</u>	<u>2,736,591</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	1,485,263	820,977
Effects of:		
Expenses not deductible for tax purposes	415,880	297,687
Non taxable income	(421,538)	(11,398)
Capital allowances and IBA's in excess of depreciation	(22,875)	(31,239)
(Profit)/loss on sale of fixed assets	(3,232)	-
Goodwill impairment	-	206,226
Capital gains adjustment	55,265	-
Share of partnership losses	(8,086)	-
Utilisation of tax losses	(228,283)	(27,872)
Adjustments in respect of previous years	1,719	8,225
Higher rate taxes on overseas earnings	23,115	30,958
	<u>1,297,228</u>	<u>1,293,564</u>
9. Dividends		
The following dividends were payable for the period.		
Interim dividend of £2.57143 (2003 - £1.15) per share	900,001	402,500
2nd interim dividend of £1.428572 (2003 - £Nil) per share	500,000	-
Calculated on 350,000 ordinary shares of £0.01 each.		
	<u>1,400,001</u>	<u>402,500</u>

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

10. Tangible fixed assets - The group

	Freehold property £	Leasehold property £	Plant and equipment £	Total £
Cost or valuation				
At 1st January 2004	36,600,650	20,395,500	142,088	57,138,238
Transfers	4,463,000	(4,463,000)	-	-
Additions at cost	36,555	-	6,260	42,815
Disposals at valuation	(280,000)	-	-	(280,000)
Valuation adjustment	3,769,395	1,285,000	-	5,054,395
	<u>44,589,600</u>	<u>17,217,500</u>	<u>148,348</u>	<u>61,955,448</u>
At 31st December 2004				
	<u>44,589,600</u>	<u>17,217,500</u>	<u>148,348</u>	<u>61,955,448</u>
Representing				
Cost	-	-	148,348	148,348
Valuation	44,589,600	17,217,500	-	61,807,100
	<u>44,589,600</u>	<u>17,217,500</u>	<u>148,348</u>	<u>61,955,448</u>
At 31st December 2004				
	<u>44,589,600</u>	<u>17,217,500</u>	<u>148,348</u>	<u>61,955,448</u>
Depreciation				
At 1st January 2004			9,917	9,917
Charge for the year			24,786	24,786
			<u>34,703</u>	<u>34,703</u>
At 31st December 2004				
			<u>34,703</u>	<u>34,703</u>
Net book value				
At 31st December 2004	<u>44,589,600</u>	<u>17,217,500</u>	<u>113,645</u>	<u>61,920,745</u>
At 31st December 2003	<u>36,600,650</u>	<u>20,395,500</u>	<u>132,171</u>	<u>57,128,321</u>

The group

The historical cost of investment properties held at 31st December 2004 was £27,126,417 (2003 - £27,242,132).

All properties have been revalued in accordance with a valuation carried out on 31st December 2004 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 2004 (continued)

11. Tangible fixed assets - The company

	Freehold property £	Leasehold property £	Total £
Cost and valuation			
At 1st January 2004	16,345,050	4,665,000	21,010,050
Additions at cost	2,714,555	-	2,714,555
Transfer to subsidiary company	(5,894,050)	-	(5,894,050)
Valuation adjustment	944,445	(56,000)	888,445
At 31st December 2004	14,110,000	4,609,000	18,719,000

12. Fixed asset investments

Group	Investment in joint ventures £	Investment in associated undertakings £	Other investments £	As restated Total £
Cost				
At 1st January 2004	999,999	25	3,054,096	4,054,120
Additions	-	-	712,390	712,390
Disposals	-	-	(36,914)	(36,914)
At 31st December 2004	999,999	25	3,729,572	4,729,596
Share of retained profits/(losses)				
At 1st January 2004	(20,033)	(60,397)	-	(80,430)
Profit/(loss) for the year	(17,153)	63,245	-	46,092
At 31st December 2004	(37,186)	2,848	-	(34,338)
Provisions/revaluations				
At 1st January 2004	-	60,372	(270,481)	(210,109)
Transfer from provisions	-	(60,372)	-	(60,372)
Exchange loss	-	-	(212,671)	(212,671)
Surplus on revaluation	957,742	557,241	-	1,514,983
At 31st December 2004	957,742	557,241	(483,152)	1,031,831
Net book value				
At 31st December 2004	1,920,555	560,114	3,246,420	5,727,089
At 31st December 2003	979,966	-	2,783,615	3,763,581

Notes forming part of the financial statements for the year ended 31st December 2004 (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 £376,460 (2003 £349,570)
- (ii) an investment of £1,102,735 (2003 £544,124) in the Brinson Partnership Fund
- (iii) investments of £1,767,225 (2003 £1,889,921) 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 2004 represents \$2,116,702 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

	31.12.04 £	31.12.03 £
Share of assets		
Share of fixed assets	8,981,491	7,870,532
Share of current assets	268,787	557,182
	<u>9,250,278</u>	<u>8,427,714</u>
Share of liabilities		
Due within one year	(416,730)	(534,748)
Due after one year	(6,912,993)	(6,913,000)
	<u>(7,329,723)</u>	<u>(7,447,748)</u>
Share of net assets	<u>1,920,555</u>	<u>979,966</u>

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

12. Fixed asset investments (continued)

Company	Investment in subsidiary undertakings	Other investments	Total
	£	£	£
Cost			
At 1st January 2004	1,054,246	544,149	1,598,395
Additions in the year	-	631,077	631,077
Exchange loss in the year	-	(72,466)	(72,466)
At 31st December 2004	1,054,246	1,102,760	2,157,006
Provision			
At 1st January 2004	996,964	-	996,964
Released in the year	(771,964)	-	(771,964)
At 31st December 2004	225,000	-	225,000
Net book value			
At 31st December 2004	829,246	1,102,760	1,932,006
At 31st December 2003	57,282	544,149	601,431

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 (Houghton Regis) 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 2004 (continued)

13. Stocks

	31.12.04 £	31.12.03 £
Group		
Stocks	4,455,000	3,741,000

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

Group		
Loan notes	30,838,000	28,160,000
Amounts owed by joint ventures	1,000,000	1,000,000
	31,838,000	29,160,000

On 20th May 2004 a related company under common control issued 2,678,000 £1 Loan Notes due to a group company. Interest at the rate of 4.62% is payable on the Loan Notes, which are repayable on 25th March 2024.

Loan notes in existence at 1st January 2004 and 31st December 2004 issued by a related company under common control to certain group companies bear an interest rate of 4.35% and are repayable as follows:

£23,800,000 on 5th April 2020
£3,000,000 on 1st January 2023
£1,360,000 on 14th February 2023
£2,678,000 on 25th March 2024

15. Debtors

Amounts due within one year

	The group		The company	
	31.12.04 £	31.12.03 £	31.12.04 £	31.12.03 £
Trade debtors	1,114,586	792,697	359,872	301,781
Other debtors	57,207	200,490	-	215
Prepayments and accrued income	195,972	234,116	116,877	208,866
Amounts owed by subsidiary undertakings	-	-	17,335,665	10,428,512
Amounts owed by associated undertakings	1,170,000	1,415,000	1,170,000	1,415,000
	2,537,765	2,642,303	18,982,414	12,354,374

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

16. Creditors: Amounts falling due within one year

	The group		The company	
	31.12.04	31.12.03	31.12.04	31.12.03
	£	£	£	£
Bank loans and overdraft	50,000	49,950	-	-
Trade creditors	47,875	67,097	26,420	27,483
Corporation tax	631,325	544,113	380,226	272,090
Other taxes	411,846	394,792	357,592	231,613
Other creditors	219,496	219,353	128,798	84,105
Accruals and deferred income	2,455,474	2,755,854	458,950	545,863
Dividend payable	500,000	-	500,000	-
Amounts due to subsidiary undertakings	-	-	1,867,251	1,162,802
	<u>4,316,016</u>	<u>4,031,159</u>	<u>3,719,237</u>	<u>2,323,956</u>

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

	The group		The company	
	31.12.04	31.12.03	31.12.04	31.12.03
	£	£	£	£
Loans and mortgages				
Sun Life of Canada mortgage	3,320,000	3,370,050	-	-
Bank loans	10,210,000	12,110,000	-	-
Loan notes	30,838,000	28,160,000	30,838,000	28,160,000
	<u>44,368,000</u>	<u>43,640,050</u>	<u>30,838,000</u>	<u>28,160,000</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.

On 14th May 2003 the company issued 23,800,000 £1 Loan Notes due to a related company under common control. 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 company issued a further 2,678,000 £1 Loan Notes to a related company, under common control, on 20th May 2004. Interest at the rate of 4.92% is payable on the Loan Notes, which are repayable on 25th March 2024.

	The group		The company	
	31.12.04	31.12.03	31.12.04	31.12.03
	£	£	£	£
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	44,168,000	43,440,050	30,838,000	28,160,000
	<u>44,368,000</u>	<u>43,640,050</u>	<u>30,838,000</u>	<u>28,160,000</u>

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

18. Provision for share of net liabilities of associated undertaking

	31.12.04 £	31.12.03 £
At 1st January 2004	60,372	7,342
Transfer (to)/from investment in associated undertaking (note 12)	(60,372)	53,030
At 31st December 2004	-	60,372

19. Share capital

	31.12.04 £	31.12.03 £
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 2004 (continued)

20. Reserves**Group**

	Revaluation reserve £	Profit and loss account £	Merger reserve £	Total £
Balance at 1st January 2004	31,895,815	17,533,231	578,038	50,007,084
Profit for the year	-	2,248,084	-	2,248,084
Valuation surplus for the year	7,392,176	-	-	7,392,176
Reserve transfer	(127,730)	127,730	-	-
Exchange movement	(169,436)	-	-	(169,436)

Balance at 31st December 2004	38,990,825	19,909,045	578,038	59,477,908
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Company

Balance at 1st January 2004	3,926,745	2,180	3,928,925
Profit for the year	-	565,129	565,129
Valuation surplus for the year	1,537,445	-	1,537,445
Valuation surplus on sold property	(1,342,680)	1,342,680	-

Balance at 31st December 2004	4,121,510	1,909,989	6,031,499
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Of the balance on the profit and loss account for the company at 31st December 2004, £1,342,680 (2003 - £Nil) represents the surplus on disposal of assets to Wilbury Estates Limited, a 100% owned subsidiary company. The directors have chosen not to make this surplus available for distribution until the relevant assets are sold outside the group.

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

31.12.04
£

31.12.03
£

Minority interest comprises:
Net assets of a subsidiary

65,422

73,581

22. Contingent liabilities

No such liabilities are known to the directors.

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

23. Commitments under operating leases

As at 31st December 2004, the group had annual commitments under non-cancellable operating leases in respect of land and buildings, as follows:

	31.12.04 £	31.12.03 £
Those which expire after five years	<u>193,925</u>	<u>192,415</u>

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 £Nil (2003 - £268,092).
- (ii) The group rented properties on normal commercial terms at a cost of £140,705 (2003 - £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 of their ultimate parent company.
- (iii) Management and consultancy fees totalling £101,461 (2003 - £308,872) were charged by a company of which Mr H. J. H. Bandet was a director and a shareholder of the ultimate parent company.
- (iv) Management fees totalling £8,294 (2003 - £Nil) were paid to Mrs R B Polkow by a group company.
- (v) The group occupied a property and utilised facilities under a Tenancy at Will at a cost of £Nil (2003 - £8,700) 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 31.12.04 £	Year to 31.12.03 £
Operating profit	6,561,184	5,340,948
Depreciation charges	24,786	4,522
Other income	142,736	24,740
Exchange loss	29,513	40,840
Increase in stock	(714,000)	(200,000)
Decrease/(increase) in debtors	104,538	(1,637,714)
(Decrease)/increase in creditors	(302,405)	389,816
Net cash inflow from operating activities	<u>5,846,352</u>	<u>3,963,152</u>

Notes forming part of the financial statements for the year ended 31st December 2004 (continued)

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

	Year to 31.12.04 £	Year to 31.12.03 £
Increase/(decrease) in cash in the year	371,706	(1,494,107)
Repayment of loans	1,950,000	1,073,995
New loans	(2,678,000)	(4,360,000)
Change in net debt	(356,294)	(4,780,112)
Net debt at 1st January 2004	(42,309,459)	(37,529,347)
Net debt at 31st December 2004	(42,665,753)	(42,309,459)

27. Analysis of net debt

	at 01.01.04 £	Cashflow £	At 31.12.04 £
Cash at bank and in hand	1,380,541	371,706	1,752,247
Debt due within one year	(49,950)	(50)	(50,000)
Debt due after more than one year	(43,640,050)	(727,950)	(44,368,000)
	(42,309,459)	(356,294)	(42,665,753)